

STATE OF NEW HAMPSHIRE

**COMPREHENSIVE
ANNUAL
FINANCIAL REPORT**

For the Fiscal Year Ended
June 30, 1998



Prepared by the Department of Administrative Services

Donald S. Hill, Commissioner

Thomas E. Martin, CPA, Comptroller

Division of Accounting Services

Harold O. McArdle · Douglas A. Smith, CPA, CGFM

Sheri L. Walter, CPA · Kenneth R. Newton

Heather L. Fritzky

**Department of Administrative Services
Donald S. Hill, Commissioner
State House Annex - Room 120
25 Capitol Street
Concord, New Hampshire 03301-6312
Phone: (603)271-3201 Fax: (603)271-6600
TDD Access: Relay NH 1-800-735-2964**

**Division of Accounting Services
Thomas E. Martin, Comptroller
State House Annex - Room 413
25 Capitol Street
Concord, New Hampshire 03301-6312
Phone: (603) 271-6566 Fax: (603) 271-6666
TDD Access: Relay NH 1-800-735-2964**

The League of New Hampshire Craftsmen

65 Years of Craft-Making History

THE LEAGUE OF NEW HAMPSHIRE CRAFTSMEN is a nonprofit, crafts educational organization dedicated to preserving and promoting New Hampshire's rich craft heritage. New Hampshire became the first state in the union to officially support craft-making when, in fiscal year 1934, funding was provided for the recently-formed League of New Hampshire Arts and Crafts. This League, now known as the League of New Hampshire Craftsmen, established high standards for becoming a state-juried

member and created an extensive state-wide network of craft educational programs, exhibits and retail outlets for craftspeople to sell and promote their work. Today, the League is recognized as one of the most prestigious craft organizations in the country.

NEW HAMPSHIRE IS HONORED TO

dedicate this *1998 Comprehensive Annual Financial Report* to the League of New Hampshire Craftsmen as it tells its story about New Hampshire's creative individuals, creative communities, and creative heritage. The photographs, unless otherwise noted, have been provided by the League or Charley Freiberg.



Furniture Craftsman, circa early 1900's



Exeter Council Classroom



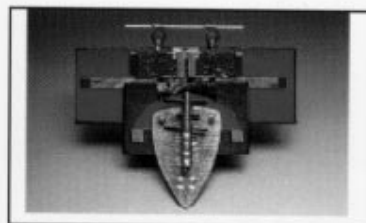
Living With Crafts Exhibit



65th Annual Craftsmen's Fair



Howard Hatch/Steve Burdett



Lauren Pollaro

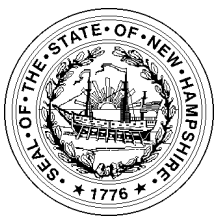


*Jacket: Gillian Smith
Earrings: Lyn Weisman
Beret: Linda Sturgeon*

Cover: "Forest" serigraph by William Mitchell



Jeanne Shaheen
Governor
State of New Hampshire



STATE OF NEW HAMPSHIRE
OFFICE OF THE GOVERNOR

JEANNE SHAHEEN
GOVERNOR

To: The Honorable Members of the Legislature and
to the Citizens of the State of New Hampshire:

I am pleased to accept the Comprehensive Annual Financial Report for the State of New Hampshire, covering operations for the fiscal year ending June 30, 1998. Included in this report are the State's independently audited general purpose financial statements prepared in accordance with generally accepted accounting principles (GAAP). This report is presented to you and to the financial community to enable you to more clearly comprehend New Hampshire's financial status.

For the first time since 1995 the state has a surplus. This modest surplus combined with other reserves, including the Health Care Fund and the Revenue Stabilization Account results in the state having more reserves than at any other time since the end of 1994. Significant revenue growth and modest spending have been the key contributors to the state's financial stability.

New Hampshire continues to enjoy a vibrant, diversified economy. The state continues to lead the region in creating jobs in a wide variety of industries, including the manufacturing and high technology sectors. In addition to excellent job growth, New Hampshire citizens have experienced growth in personal income that exceeds the national average.

The State's improved financial situation and strong economy put us in a positive position to address the most significant issue facing our State: school funding. I am confident that by working cooperatively and collaboratively with the legislature, we can solve the education funding issue without altering the exceptional quality of life we all enjoy in our great State.

In addition to my commitment to solve this critical issue during the next legislative session, I will work to improve the quality and accessibility of both health and child care. I will also continue to work to insure small businesses have the tools and resources available to them to successfully meet the many challenges of the global economy.

Very Truly Yours,

Jeanne Shaheen

STATE OF NEW HAMPSHIRE

CONTENTS

INTRODUCTORY SECTION

Selected State Officials	1
Organization Chart	2
Letter of Transmittal	3
GFOA Certificate of Achievement	13
Financial Highlights	14

FINANCIAL SECTION

Independent Auditors' Report	17
------------------------------------	----

General-Purpose Financial Statements

Combined Balance Sheet - All Fund Types, Account Groups and Discretely Presented Component Units	20
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds	22
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budgetary Basis - General and Special Revenue Funds	23
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Balances - Proprietary Fund Type, Non-Expendable Trust Funds and Discretely Presented Component Units	25
Combined Statement of Cash Flows - Proprietary Fund Type, Non-Expendable Trust Funds and Discretely Presented Component Units	26
Combined Statement of Changes in Net Assets - Investment Trust and Pension Trust Funds	28
Combined Statement of Changes in Fund Balances - Component Units - College and University Funds	29
Combined Statement of Current Funds Revenues, Expenditures and Other Changes - Component Units - College and University Funds	30
<u>Notes to the General Purpose Financial Statements</u>	31

Combining Financial Statements and Schedules

Schedule of Expenditures at the Legal Level of Control - Budget and Actual - Budgetary Basis - General Fund	54
---	----

Special Revenue Funds:

Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	57
Combining Statement of Revenues, Expenditures at the Legal Level of Control and Changes in Fund Balances - Budget and Actual - Budgetary Basis	58

Enterprise Funds:

Combining Balance Sheet	64
Combining Statement of Revenues, Expenses and Changes in Retained Earnings	65
Combining Statement of Cash Flows	66

Trust and Agency Funds:

Combining Balance Sheet	69
Combining Statement of Changes in Assets and Liabilities	70

<u>Transfers Schedule</u>	72
---------------------------------	----

Combining Financial Statements and Schedules (Continued)

Component Units:

Combining Balance Sheet	74
Combining Balance Sheet - College and University Funds	75
Combining Statement of Plan Net Assets - Pension Trust Funds	76
Combining Statement of Changes in Plan Net Assets - Pension Trust Funds	77
Combining Balance Sheet - Enterprise Funds	78
Combining Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - Enterprise Funds	79
Combining Statement of Cash Flows - Enterprise Funds	80

STATISTICAL SECTION

Table of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	81
Table of Unrestricted Revenue - General Fund - GAAP Basis	82
Table of Undesignated Fund Balance - General Fund	83
Table of Undesignated Fund Balance - Highway Fund	84
Table of Undesignated Fund Balance - Fish and Game Fund	85
Schedule of Revenue Bond Coverage Ratio - Turnpike System Revenue Bonds	86
Ratio of General Long-Term Debt to Assessed Value and General Long- Term Debt Per Capita	87
Demographic Statistics	87
Number of Building Permits for Housing Units	88
Schedule of the Twenty Largest Private Sector Employers	88

The League of New Hampshire Craftsmen Creative Individuals



Chris Baker-Salmon

LIKE THEIR EARLY COLONIAL FOREBEARS, New Hampshire craftspeople today are keeping the state's heritage of fine craftsmanship alive — from furniture making and metal smithing, to glass blowing and pottery making. Helping to keep these traditions alive is the League of New Hampshire Craftsmen, an organization that for 65 years has been developing local craft skills and creating new markets for fine crafts.



Susan Link

THROUGH THE LEAGUE'S EFFORTS, many of New Hampshire's craftspeople have been able to pursue and develop their crafts not just as hobbies, but as the means to earning a living and, in some cases, a national reputation for their artistic work. To maintain handcrafted quality, the League early on instituted a local and state juried system for each craft medium that, to this day, is nationally recognized for its high standards.

THE LEAGUE OF NEW HAMPSHIRE CRAFTSMEN continues to serve as a catalyst for bringing together individuals who create and support the handcrafted arts. It is here in New Hampshire where craftspeople, most of whom still work from their own homes or studios, find artistic inspiration in the natural beauty of the landscape, and professional inspiration in the nurturing support and sense of community provided by the League.

Susan Bliss



Fred & Kate Pearce

Jackie Abrams



Chris Baker-Salmon



Paul Mathews



Nancy Begin



Fred Dolan

STATE OF NEW HAMPSHIRE

SELECTED STATE OFFICIALS

EXECUTIVE

GOVERNOR
Jeanne Shaheen

EXECUTIVE COUNCIL
Raymond S. Burton
Peter J. Spaulding
James A. Normand
Ruth L. Griffin
Bernard A. Streeter, Jr.

ATTORNEY GENERAL
Philip T. McLaughlin

COMMISSIONER OF ADMINISTRATIVE SERVICES
Donald S. Hill

JUDICIAL

CHIEF JUSTICE
SUPREME COURT OF NEW HAMPSHIRE
David A. Brock

LEGISLATIVE

PRESIDENT OF THE SENATE
Joseph L. Delahunty
(24 Senators)

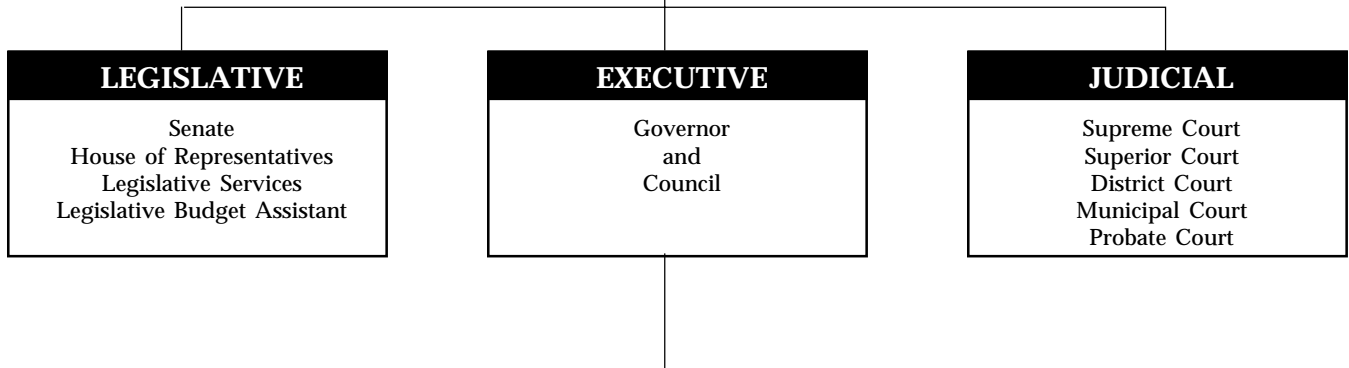
SPEAKER OF THE HOUSE OF REPRESENTATIVES
Donna Sytek
(400 Representatives)

TREASURER
Georgie A. Thomas

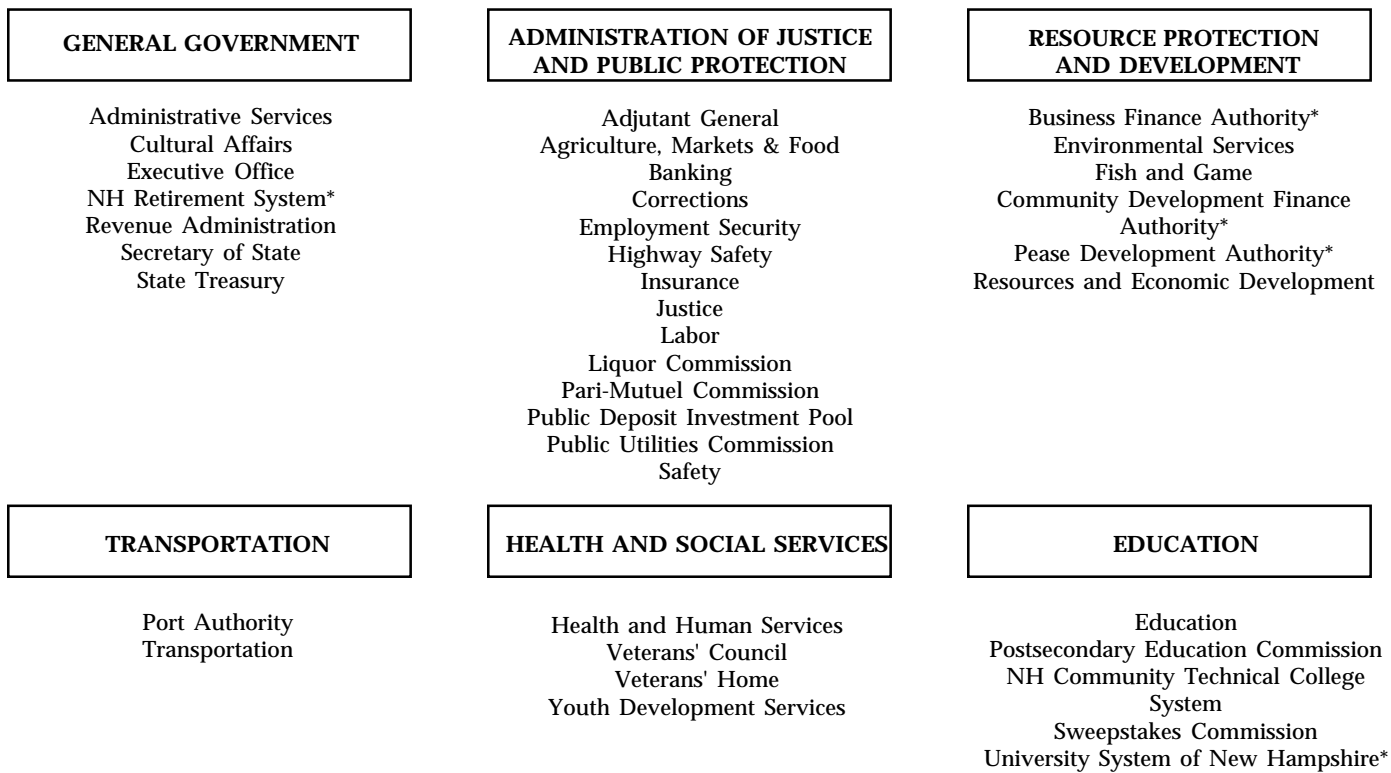
SECRETARY OF STATE
William M. Gardner

STATE OF NEW HAMPSHIRE

ORGANIZATION CHART



STATE AGENCIES AND COMPONENT UNITS (*)





STATE OF NEW HAMPSHIRE

DEPARTMENT OF ADMINISTRATIVE SERVICES

OFFICE OF THE COMMISSIONER

State House Annex - Room 120
Concord, New Hampshire 03301

DONALD S. HILL
Commissioner
(603) 271-3201

To: The Citizens of New Hampshire,
Her Excellency the Governor
and the Honorable Council

December 1, 1998

In accordance with the Revised Statutes Annotated (RSA) 21-I:8I(h), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 1998. We are proud to feature New Hampshire craftsmen in this report. The artistry of New Hampshire's craftspeople exemplifies the state's independent spirit, proud heritage and tradition. Organizations like the League of New Hampshire Craftsmen promote the work of our skilled men and women and strive to educate others in the importance of high standards and quality. The work of New Hampshire's creative citizens attracts visitors from around the world, enhancing the state's image while contributing to its economy.

This report has been prepared by the state's Department of Administrative Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the state. The general purpose financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, are based on generally accepted accounting principles (GAAP) for governments as established by the Governmental Accounting Standards Board (GASB).

The state's CAFR is presented in three major sections as follows:

- The Introductory Section includes this transmittal letter, the state's organizational chart, and summary financial information.
- The Financial Section includes the auditor's report, general purpose financial statements and notes, as well as combining financial statements and schedules.
- The Statistical Section contains unaudited financial, demographic and economic data.

The notes to the financial statements are considered an integral and essential part of adequate disclosure and fair presentation of the general purpose financial statements. The notes include the summary of significant accounting policies applied to the matters relating to the financial position and results of operations of the state.

The CAFR presents information on the financial position and operations of the state's primary government and its component units as one reporting entity. The various agencies, departments, boards, commissions, and funds of the primary government and the five component units which comprise the state's reporting entity are included in this CAFR in accordance with criteria established by the GASB. The criteria, as covered in Note 1 "Summary of Significant Accounting Policies" of the notes to the financial statements, includes governmental activities and programs of the primary government and those governmental and non-governmental entities for which the state is "financially accountable" as defined by the legal statutes of the State of New Hampshire and GAAP.

ECONOMIC CONDITION AND OUTLOOK

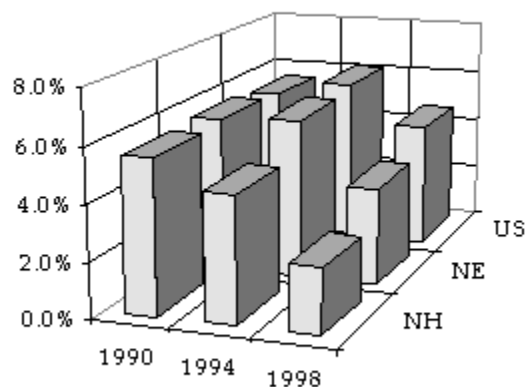
The New Hampshire economy continues in a prolonged period of economic growth and prosperity. New Hampshire is ranked in the top 10 in the nation for median income, per capita income, job growth and quality of life. The state is ranked number one (of the fifty states) in the percentage of employment in high technology industries according to the American Electronics Association. Over 8% of the state's employment and over 40,000 workers are employed in high technology service and manufacturing industries.

New Hampshire's strength and vitality can be attributed to its well-educated and hard working labor force, rich heritage, proximity to Boston and research Universities, tourism and its tax advantage. The unemployment rate for New Hampshire is the lowest in New England and far below the United States average.

New Hampshire's real estate market was a strong contributor to the state's economy this year. Mortgage interest rates are at an all time low. High demand for residential property led to increased existing home sales which lowered housing inventory and spurred new construction. Home sales in 1998 were approximately 14,000 almost double from 1993 and up 16% from 1997.

The high technology concentration and diversity of New Hampshire's industry has also contributed to the economic growth and prosperity in the state. The state's top five broad-based industries include two in manufacturing, two in services and one in trade. This ranking was conducted by the New Hampshire Industry Group at the University of New Hampshire based on employment, wage and establishment data.

Unemployment Rates



SIC Code	Industry Name	Type	Number of Employees	Nominal Wages	Number of Establishments
36	Electronic Components	Manufacturing	14,838	\$33,524	219
80	Health Services	Service	47,075	28,676	2,019
38	Instruments and Related Products	Manufacturing	11,223	40,410	123
50	Wholesale Trade in Durable Goods	Trade	16,420	35,015	1,682
87	Engineering and Management Services	Service	11,035	38,696	1,493

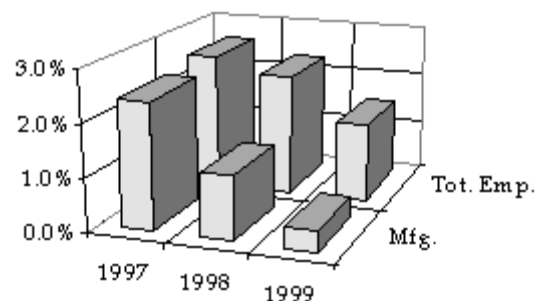
Source: New Hampshire Industry Group, UNH, 1998

The leading industries are all engaged in high value-added production trade and service provision and pay relatively well. Many firms in the industries take advantage of New Hampshire's highly educated workforce, proximity to research institutions in the greater Boston area, and strong supplier relations with original equipment manufacturers globally.

The manufacturing sector for New Hampshire is growing, even though the region is experiencing a negative growth rate. Health services ranks among the leading industries in New Hampshire, as well as in the nation, due to the large number of workers employed. One-seventh of the national and state employment is in health services.

Despite low unemployment rates and excellent real estate markets, New Hampshire's economy is showing signs of slowing down. The total employment and manufacturing growth rates are slacking. New Hampshire's manufacturing growth rate expected in 1999 is .4%, down from 2.4% in 1997. This is in line with the state's total employment growth rate which is anticipated to be 1.5% in 1999 as compared to 2.6% in 1997. However,

Employment Growth Rates



1999 is forecasted

New Hampshire's concentration of economic activity in a diverse mix of high technology and innovative industries and the education and skill level of the workforce, suggest the state is in a relatively strong position, which makes the state less vulnerable to a recession.

As expected from the prosperity facing New Hampshire, New England's consumer confidence index in 1998 reached its highest level in the decade. The consumer confidence index as of September 1998 for New England was 117.3. The future expectations index, which measures consumer attitudes in regards to business conditions, employment and income levels six months out, fell to 74.6, its lowest since July 1996. The future expectation decline is due in part, to the downturns in the global financial markets.

Again in 1998, the state achieved national recognition that substantiates New Hampshire's claim to an appealing quality of life. Some of those achievements are listed below:

- 1 Manchester, Nashua, and Portsmouth were ranked first, third and tenth, respectively, as the best small cities in the Northeast by *Money Magazine* 1998.
- 1 The 1998 *Kids Count Data Book* ranked New Hampshire number one for children's health.
- 1 Morgan Quitno Press ranked New Hampshire the second best place to live in New England and the eleventh best among the fifty states and District of Columbia in 1998.
- 1 New Hampshire's economy was ranked fifth in the Corporation for Enterprise Development's 1998 Development Report Card for the States.
- 1 ReliaStar Financial Corp. ranked the State as the second healthiest for 1998.
- 1 New Hampshire had the lowest percent of people in poverty, over the three year average 1995-1997, at 6.9% (U.S. over same three year period was 13.6%).

Information sources:

- ² Ross Gittel, Associate Professor, Whittemore School of Business and Economics, University of New Hampshire
- ² New Hampshire Department of Employment Security, Economic and Labor Market Information Bureau
- ² U.S. Department of Labor, Bureau of Labor Statistics
- ² U.S. Bureau of the Census, March 1998, 1997 and 1996 Current Population Surveys
- ² Economic Outlook for New Hampshire, prepared by the PSNH Economic and Load Forecasting Department, October 1998

MAJOR INITIATIVES

Health Care

A recent innovative funding plan has now made health insurance affordable to 20,000 currently uninsured New Hampshire children. The Children's Health Insurance Plan will be funded in part from participants co-payments, a grant from the Healthy New Hampshire Foundation and federal funds. This charitable foundation was created through the merger of two in-state health maintenance organizations. Per recent legislation, the state will provide more care to its elderly population through expanded in-home care programs which will provide a more inexpensive and high quality substitute for traditional long term care services.

Economic Development Plan

The state received a grant from the U.S. Department of Commerce to develop a comprehensive economic development plan. As part of developing this plan, the Whittemore School of Business and Economics at the University of New Hampshire is conducting a series of focus groups throughout the state with a variety of employers and industry segments. The results of these focus groups will provide the basis for recommendations on a variety of economic development strategies including tax policy, state economic programs, and employee development, training and retention issues. The state also increased its investment in roads and bridges, which has accelerated the completion of the state's ten year highway program. An ongoing commitment of state funds to expand the promotion of tourist destinations in the state has also yielded tremendous returns in the form of increased number of visitors and economic activity in the state.

Education

While the challenge to solve the funding issues presented by the series of Supreme Court decisions on the Claremont Education lawsuit remains at the forefront of the state's agenda for all branches of government in the coming year, the state has made substantial strides to improve education for all citizens of the state. Nearly 1,000 additional children are attending public kindergarten since the establishment of a state program to provide \$750 per student to local school districts to start public kindergarten programs and incentives for building kindergarten classrooms. Recent legislation will give parents a new report card on education so they can see how their schools measure against their peers, and new teachers are being tested. Also an additional \$62 million is being reserved in fiscal year 1999 in the Local Education Betterment Fund for distribution to cities and towns in fiscal year 2000 through the Foundation Aid program. The state's UNIQUE College Investing Plan has attracted national attention for its innovative approach to encouraging parents to save on a tax deferred basis for higher education expenses.

Fiscal Responsibility

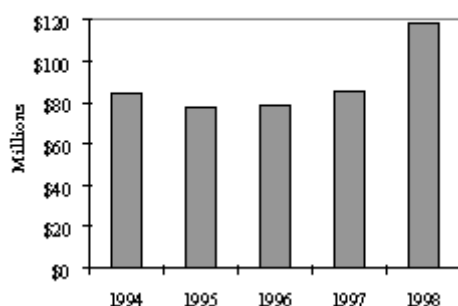
During the 1998 legislative session, Chapter 109 was enacted which created significant changes to the funding of the Revenue Stabilization Account and the Health Care Transition Fund. Chapter 109 requires the surplus at the end of the biennium be transferred to the Revenue Stabilization Account and the Health Care Fund evenly. The law increases the maximum allowable balance in the Revenue Stabilization Account from 5 percent to 10 percent of the most recent fiscal year's unrestricted revenues. The maximum allowable balance in the Health Care Fund was capped at \$100 million. Any balances above this amount will be transferred to the Revenue Stabilization Account.

FINANCIAL INFORMATION

Summary

The strong New Hampshire economy had a positive impact on the state's overall finances in fiscal year 1998. General Fund Unrestricted Revenue, net of Medicaid Enhancement Revenue, increased to \$896.3 million, which was an increase of \$96.6 million or 12.1% over fiscal year 1997. Fiscal year 1998 was the second consecutive year with double digit revenue growth. The primary revenue contributors to this strong growth were the Business Taxes and the Tobacco Tax.

Education Aid to Cities and Towns



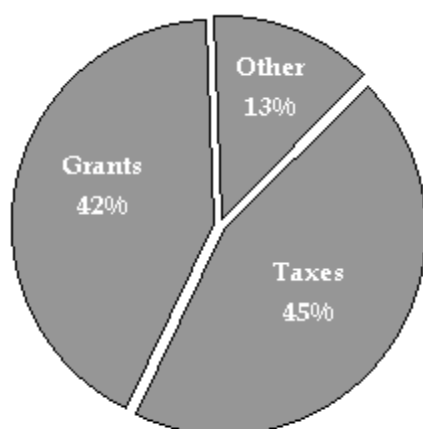
The General Fund undesignated fund balance increased from a \$1.2 million deficit at June 30, 1997 to a \$41.4 million surplus at June 30, 1998. The Reserved for Revenue Stabilization Account remained at \$20.0 million. The Reserved for Health Care Transition Fund decreased from a \$50.8 million balance at June 30, 1997 to a \$38.2 million balance at June 30, 1998. The net decrease is primarily attributed to: a decrease of \$14.8 million appropriated for computer systems for the Department of Health and Human Services; an increase of \$3.6 million in Medicaid enhancement revenues in excess of amounts budgeted; and a decrease of \$1.7 million for the use of previous years' accumulated interest to fund current budgeted health care programs.

The primary increase in expenditures in fiscal year 1998 can be attributed to an increase in state aid for education to cities and towns. Education aid to local communities in fiscal year 1998 totaled \$118 million, a \$33 million increase over fiscal year 1997.

Revenues

General government functions are accounted for in the governmental fund type, which are the general, special revenue and capital projects funds. Revenues of the governmental fund type and expendable trust funds by revenue categories are as follows (expressed in millions):

Revenues	FY 1998 Amount	FY 1997 Amount	Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 1,038	\$ 945	\$ 93	9.8%
Fees and Fines	114	108	6	5.6
Grants from Federal Government	833	797	36	4.5
Grants from Private and Local Sources	118	103	15	14.6
Sale of Services and Commodities	87	107	(20)	(18.7)
Assessments	16	15	1	6.7
Grants from Other Agencies	29	23	6	26.1
Miscellaneous	82	79	3	3.8
Total	\$ 2,317	\$ 2,177	\$ 140	6.4%

FY 1998 Revenues - Governmental
and Expendable Trust Funds

Discussion of significant changes:

- Tax collections continued to rise due to the strong economy. The top performer in fiscal year 1998 was the Business Taxes (Business Profits Tax and Business Enterprise Tax) which, in total, showed a net increase of \$28.0 million over fiscal year 1997. The Tobacco Tax followed closely behind, increasing \$25.3 million partially due to a \$.12 per pack tax increase. The Meals and Rooms tax, Real Estate Transfer Tax, and Interest and Dividends tax all had large increases that ranged from \$6.6 million to \$10.4 million.

Grants from Federal Governments generally fluctuate in conjunction with the expenditure patterns of the programs for which they provide support. In fiscal year 1998 federal revenues increased in a number of programs which have correlating expenditure increases, such as the nursing home medical grants program. Additionally, increased federal revenues were for programs operated by the Division of Children, Youth and Families, and funding to support the Department of Health & Human Services computer system implementation effort.

- Grants from private and local governments increased in proportion to federal grants in the areas of nursing home expenditures and support for children, youth and family programs. Additionally, increased support in programs for the Women with Infant Children's (WIC) supplemental food program and special education for local schools contributed to the overall increase in this category.
- Sales of Services and Commodities decreased primarily due to a reduction in revenues related to the disproportionate share (Medicaid Part B) of medicaid funding.

Expenditures

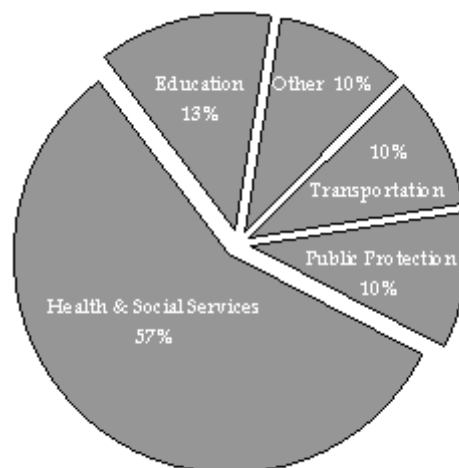
Expenditures of the governmental fund type and expendable trust funds by category are as follows (expressed in millions):

Expenditures	FY 1998 Amount	FY 1997 Amount	Increase (Decrease)	% Increase (Decrease)
General Government	\$ 175	\$ 184	\$ (9)	(4.9) %
Administration of Justice and Public Protection	204	172	32	18.6
Resource Protection and Development	113	110	3	2.7
Transportation	201	197	4	2.0
Health and Social Services	1,169	1,140	29	2.5
Education	267	227	40	17.6
Debt Service	74	75	(1)	(1.3)
Capital Outlay	139	130	9	6.9
Total	\$ 2,342	\$ 2,235	\$ 107	4.7 %

Discussion of significant changes:

- *General Government* expenditures decreased due to the Indigent Defender Program being transferred from the Department of Administrative Services (General Government) to the Judicial Council (Administration of Justice and Public Protection) to accommodate a more efficient delivery of the services pertinent to this program.
- *Administration of Justice and Public Protection* expenditures increased for the Department of Safety's Administration-Enforcement Program (\$2.2 mil), The Department of Emergency Management's Disaster Relief Program (\$3 million), in addition to the transfer of the Indigent Defender program referenced above. Numerous other programs had increases approaching \$1 million to account for the overall increase of \$32.2 million in this category.
- *Health and Human Services* expenditures increased due to expenditures related to the Department of Health & Human Services computer system implementation (\$11.8 million) and a \$15.1 million net increase in nursing home expenditures related to an increase in nursing home reimbursement rates, a legal settlement relative to nursing home programs, and an increase in medicaid proportionate share expenditures.

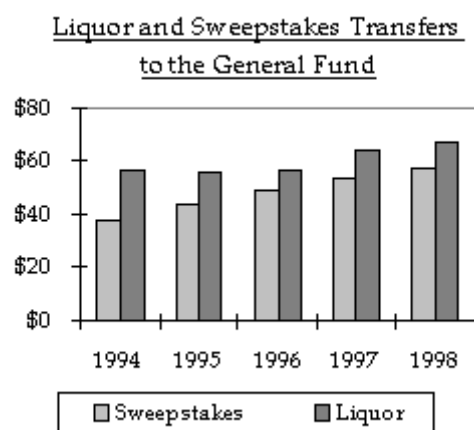
FY 1998 Expenditures - Governmental and Expendable Trust Funds



- *Education* expenditures increased as a result of the \$21.3 million increase in foundation aid, \$6.8 million increase in catastrophic aid, \$2.2 million increase in building aid, and \$2.7 million increase in kindergarten aid.

Enterprise Funds

The state's Enterprise Funds account for the self-supporting activities of state governmental units which render services on a user-charge basis to the general public. These funds account for the activities of the Turnpike System, Liquor Commission, and the Sweepstakes Commission.



Net proceeds from operations of the Liquor Commission are transferred to the General Fund and are used to fund the general operations of the state. Increases in Liquor Commission profits are due to successful marketing strategies for wine that have included discounts on case lots and specific promotional campaigns. Profits have also increased due to the Commission aggressively controlling operating and overhead costs. The transfer from the Liquor Fund to the General Fund in fiscal year 1998 equaled \$66.8 million, a \$3.3 million increase over fiscal year 1997.

Net proceeds from operations of the Sweepstakes Commission are also transferred to the General Fund and are subsequently disbursed by the Department of Education to local school districts throughout the state in accordance with a formula established by law. Increases in Sweepstakes revenue are linked to additional Powerball ticket sales from the \$195 million jackpot on May 20, 1998 and the growth and popularity of the Instant Games. The transfer from the Sweepstakes Fund to the General Fund in fiscal year 1998 equaled \$57.5 million, a \$3.3 million increase over fiscal year 1997.

The New Hampshire Turnpike System operates a self-supporting toll road which presently consists of approximately 94 miles of limited access highway, 37 miles of which are part of the U.S. Interstate Highway System. All revenues derived by the Turnpike System are used for operations, maintenance and repair, and the timely payment of principal and interest on debt.

Budgetary Process

The state budget is prepared on a biennial basis. Prior to the start of each biennium, all departments of the state are required by law to transmit to the Commissioner of the Department of Administrative Services requests for capital and operating expenses and estimates for revenue for the ensuing biennium. Following public hearings and consultation with various department heads, the Governor prepares the governor's recommended budget. The budget is forwarded to the Legislature by February 15th of the odd year for consideration. The Legislature performs its review of the proposed budget and can make further adjustments. The budget passed by the Legislature is forwarded to the Governor to be enacted into law or to be vetoed.

The legal level of budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with prior approval from the Legislative Fiscal Committee and the Governor and Executive Council.

Internal Controls

Major fiscal responsibilities within the State of New Hampshire are segregated among the following appointed officials:

- *Department of Administrative Services* - The Commissioner of Administrative Services, the Assistant Commissioner/Budget Officer and the Comptroller are responsible for enforcing financial policy guidelines, developing the executive budget, collecting financial data from individual agencies, developing and reviewing appropriation control procedures, and compiling agency financial information.
- *Legislative Budget Assistant (LBA)* - The LBA, an appointed official, is responsible for ensuring that an annual audit is conducted of the state's general purpose financial statements prepared by the Department of Administrative Services. The LBA also provides staff assistance to the finance committees of the state legislature. The LBA Audit Division performs various financial, compliance and performance audits of state agencies.
- *State Treasurer* - The State Treasurer, elected by the Legislature, is responsible for executing policy for the management of the State Treasury and depositing and investing state funds as well as the issuing of general obligation and revenue bonds.
- *State Agencies* - Agency Commissioners and Directors are responsible for administering their agencies, in accordance with legislative and executive directives, to effectively service the citizens of the State of New Hampshire.

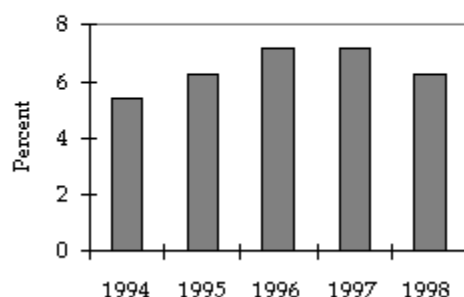
Financial transactions for the various state agencies are recorded in the New Hampshire Integrated Financial System (NHIFS). The state's centralized accounting system and other accounting procedures were designed to provide various controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and also the proper recording of financial transactions. The Department of Administrative Services prepared the Internal Controls Tool Kit in October 1995 to further educate agency personnel in the importance of maintaining an effective internal control structure.

Component Units

The state's financial reporting entity consists of the primary government, composed of the funds and departments or agencies of the state, and five discretely presented component units. Component units are organizations which are legally separate from the state, but for which the state is deemed "financially accountable" under the various criteria set forth in GASB Statement No. 14. The Business Finance Authority, the Pease Development Authority, the University System of New Hampshire, the New Hampshire Retirement System and the Community Development Finance Authority are the five component units whose financial statements have been discretely presented in the state's CAFR for the year ended June 30, 1998.

Debt

Debt Service as a Percent of General
Fund Unrestricted Revenue



The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. The state has entered into lease/purchase agreements, but they are not material in the aggregate. At year-end, the state's general obligation bonds were rated AA+ by Standard and Poor's Corporation, Aa2 by Moody's Investors Service, and AA+ by Fitch Investor Service, Inc. The state had approximately \$617.5 million in general obligation bonds and \$262.0 million of Turnpike revenue bonds outstanding at year-end (net of unamortized discount).

The state did not issue any bonds in fiscal year 1998. The state does not have any debt limitations, except for contingent debt guarantees which are detailed in the Notes to the Financial Statements.

Cash and Investments

Cash deposits into the State Treasury are coordinated jointly by the State Treasurer and the state agencies. Cash is managed in pooled investment funds in order to maximize interest earnings. Investments are made in accordance with the state statutes. Cash is primarily invested in United States Treasury and agency obligations and certificates of deposit. For the fiscal year ended June 30, 1998 the average daily balance of pooled investment funds was estimated at \$304.7 million with an average yield of 5.9%. Total investment income was \$18.0 million for the year.

Insurance

Historically, the state has assumed the risk for fire, property and general liability purposes, except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial to the general public. Commercial insurance is purchased by the state to cover such things as fleet automobile, watercraft and aircraft liability, ski area operations to protect the state from liabilities resulting from state run facilities and a faithful performance position schedule bond to protect against dishonest acts of employees'.

Prior to July 1985, the state relied on the doctrine of sovereign immunity. Subsequently, legislation became effective creating the statute "Claims Against the State" in which sovereign immunity was waived to certain limits and would allow certain types of actions and claims to be brought against the state. The limits set by the statute are the basis for risk management programs.

GASB Statements

The Governmental Accounting Standards Board (GASB) periodically issues statements establishing governmental accounting and financial reporting principles. To remain in conformity with generally accepted accounting principles (GAAP), the state is required to implement these statements within the time frames established by GASB. During fiscal year 1998, the state has implemented Statement No. 31 - "Accounting and Financial Reporting for Certain Investments and for External Investment Pools."

OTHER INFORMATION

Audits

Pursuant to RSA 21-I:8I(h), the Legislative Budget Assistant may designate a Certified Public Accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the state's general purpose financial statements. KPMG Peat Marwick LLP, the designated Certified Public Accountant, has performed an independent audit of the state's financial statements for the fiscal year ended June 30, 1998.

In order to comply with the Single Audit Act of 1984, the Legislative Budget Assistant also contracts for a single audit of the State as a whole, which will include a legal compliance report on all federal funds received by the state. This report (including a Schedule of Expenditures of Federal Awards received by the state and comments on internal accounting controls and compliance with laws, rules and regulations) will be published separately.

Certificate of Achievement

The Governmental Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of New Hampshire for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government's financial reports.

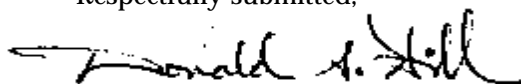
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. This is the first year the State of New Hampshire has received this award. We believe our current report continues to comply with the Certificate of Achievement program requirements, and we are submitting it to GFOA.

ACKNOWLEDGMENTS

In submitting this report, I acknowledge the cooperation and assistance of all the state agencies and the dedication of the employees of the Department of Administrative Services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Donald S. Hill", with a stylized flourish at the end.

Donald S. Hill, Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of
New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1997

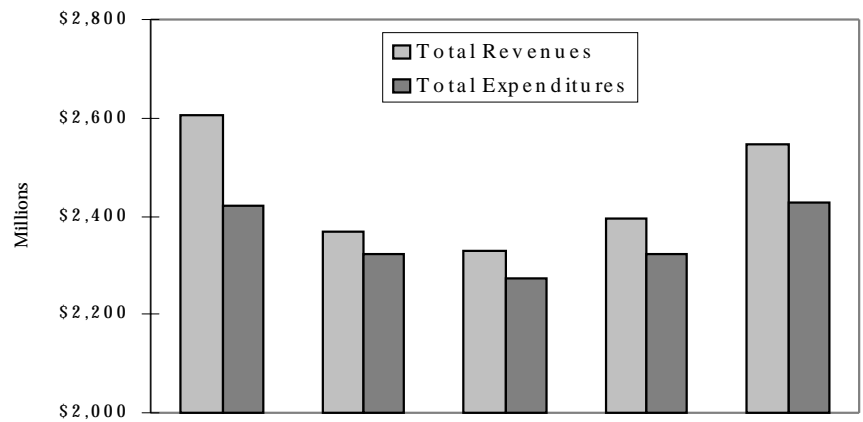
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Douglas R. Ellsworth
President

Jeffrey L. Esser
Executive Director

FINANCIAL HIGHLIGHTS

FIVE YEAR SUMMARY OF
REVENUES AND EXPENDITURES
ALL FUNDS (IN MILLIONS)Revenues by GroupGovernmental and Expendable Trusts:

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Taxes	\$ 937	\$ 986	\$ 877	\$ 945	\$ 1,038
Fees and Fines	96	99	110	108	114
Grants from Federal Government	858	749	819	797	833
Grants from Private and Local Sources	86	94	107	103	118
Sale of Services and Commodities	364	145	102	107	87
Assessments	14	14	14	15	16
Grants from Other Agencies	17	17	22	23	29
Miscellaneous	55	74	74	79	82
Total	2,427	2,178	2,125	2,177	2,317

Enterprise Funds and Non-Expendable Trusts:

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Turnpike System	50	51	53	55	58
Liquor Commission (Net of Cost of Sales and Services)	76	76	78	84	88
Sweepstakes Commission (Net of Cost of Sales and Services)	51	59	68	74	77
Non-Expendable Trusts	3	4	4	5	8
Total	180	190	203	218	231
Total Revenues	\$ 2,607	\$ 2,368	\$ 2,328	\$ 2,395	\$ 2,548

Expenditures by FunctionGovernmental and Expendable Trusts:

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
General Government	\$ 183	\$ 194	\$ 190	\$ 184	\$ 175
Administration of Justice and Public Protection	144	153	162	172	204
Resource Protection and Development	94	101	100	110	114
Transportation	174	189	197	197	201
Health and Social Services	1,377	1,241	1,146	1,140	1,169
Education	207	208	209	227	264
Debt Service	64	65	75	76	74
Capital Outlay	106	93	109	129	139
Total	2,349	2,244	2,188	2,235	2,340

Enterprise Funds and Non-Expendable Trusts:

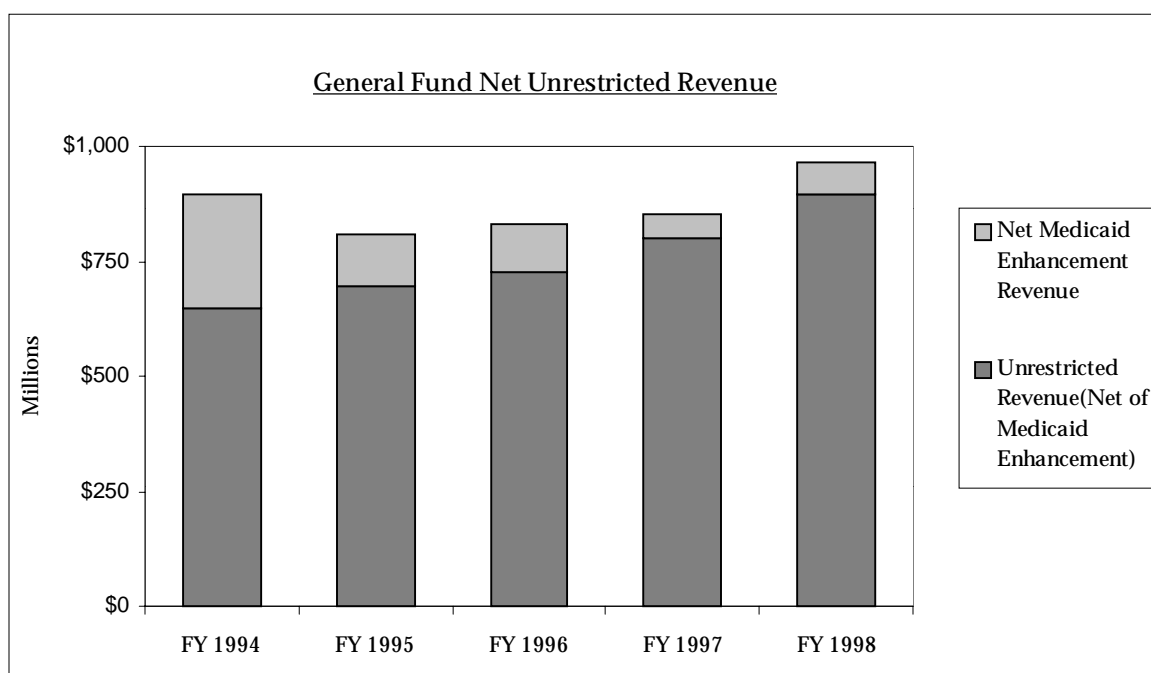
	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Turnpike System	39	42	41	42	44
Liquor Commission (Net of Cost of Sales and Services)	20	20	21	21	21
Sweepstakes Commission (Net of Cost of Sales and Services)	13	15	18	19	20
Non-Expendable Trusts	2	3	4	4	4
Total	74	80	84	86	89
Total Expenditures	\$ 2,423	\$ 2,324	\$ 2,272	\$ 2,321	\$ 2,429

FINANCIAL HIGHLIGHTS (continued)

**FIVE YEAR SUMMARY OF
GENERAL FUND UNRESTRICTED REVENUE
WITH MEDICAID ENHANCEMENT REVENUES ANALYSIS
(IN MILLIONS)**

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Business Taxes	\$ 136	\$ 168	\$ 178	\$ 210	\$ 239
Meals and Rooms Tax	101	108	113	119	129
Tobacco Tax	44	44	45	50	76
Liquor Sales and Distribution	64	64	66	72	75
Interest and Dividends Tax	36	38	52	53	62
Insurance Tax	43	43	50	57	55
Real Estate Transfer Tax	29	29	30	33	44
Estate and Legacy Tax	32	38	33	41	43
Communication Tax	31	33	36	39	40
All Other Taxes and Revenues	131	129	124	126	133
Subtotal	647	694	727	800	896
Net Medicaid Enhancement Revenues (1)	250	116	102	54	68
Subtotal	897	810	829	854	964
Other Medicaid Enhancement Revenues Subsequently Transferred to/(from) the Uncompensated Care Pool	223	153	(10)	43	9
Total	\$ 1,120	\$ 963	\$ 819	\$ 897	\$ 973

Note (1): In FY 1994, Chapter Law 122, designated \$99.0 million of the \$250.0 million of net medicaid enhancement revenues to establish the State's Health Care Transition Fund.



FINANCIAL HIGHLIGHTS (continued)

FIVE YEAR SUMMARY OF GENERAL FUND REVENUES, EXPENDITURES AND OPERATING TRANSFERS (IN MILLIONS)

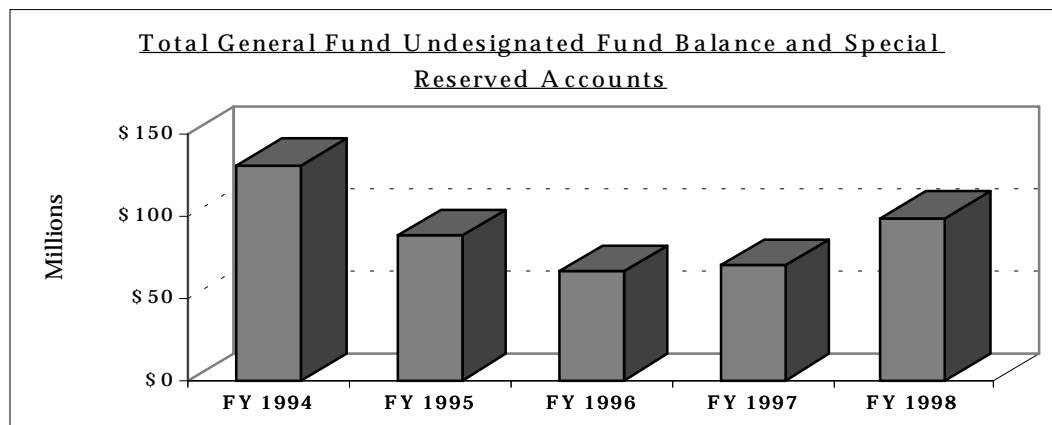
	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Revenues, Net	\$ 1,037	\$ 970	\$ 992	\$ 1,037	\$ 1,143
Revenues to Fund the Uncompensated Care Pool	223	153	-0-	43	9
Total Revenues (1)	1,260	1,123	992	1,080	1,152
Operating Transfers In	100	101	110	119	126
Total Revenues and Operating Transfers In	1,360	1,224	1,102	1,199	1,278
Expenditures (2)	814	864	873	889	953
Operating Transfers Out (2)	263	257	258	255	279
Operating Transfers Out to the Uncompensated Care Pool	223	153	-0-	43	9
Total Operating Transfers Out (1)	486	410	258	298	288
Total Expenditures and Operating Transfers Out	1,300	1,274	1,131	1,187	1,241
Revenues and Transfers In over(under) Expenses and Transfers Out	\$ 60	\$ (50)	\$ (29)	\$ 12	\$ 37

Note (1): In FY 1994, a change in the budgetary structure of the State's uncompensated care pool resulted in an increase in both total revenues and total operating transfers out of \$223 million in FY 1994, \$153 million in FY 1995, \$43 million in FY 1997, and \$9 million in FY 1998.

Note (2): Expenditures for the University System of New Hampshire are classified as operating transfers out in accordance with GASB Statement No. 14 - "The Reporting Entity." The expenditures were \$62 million in FY 1994, \$63 million in FY 1995, \$64 million in FY 1996, \$64 million in FY 1997, and \$66 million in FY 1998.

FIVE YEAR SUMMARY OF GENERAL FUND UNDESIGNATED FUND BALANCE AND SPECIAL RESERVED ACCOUNTS (IN MILLIONS)

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998
Undesignated Fund Balance (Deficit)	\$ 12	\$ -0-	\$ (44)	\$ (1)	\$ 41
Reserved for Revenue Stabilization	20	20	20	20	20
Reserved for Health Care Transition Fund	99	68	90	51	38
Total	\$ 131	\$ 88	\$ 66	\$ 70	\$ 99





Gallery 205
League Headquarters
Concord



Concord



Meredith



Hanover



Sandwich



Exeter



North Conway



Wolfeboro



Maureen Mills

The League of New Hampshire Craftsmen Creative Communities

ENTIRE COMMUNITIES in New Hampshire benefit from the rich, cultural contributions made by the League of New Hampshire Craftsmen. Local League-affiliated Craft Councils located throughout the state provide craft-making classes, workshops, exhibits and demonstrations. Several of these Councils also operate their own retail craft shops which have become well-known tourist attractions.

THESE SHOPS, along with the League's own Gallery 205, located in Concord, NH, feature on-going displays of fine crafts, special exhibits and craft-making demonstrations. Several of the shops also house the workshop space and equipment for the Council's educational programs. The League supports these local programs by providing grants to hire instructors and scholarships to advance an individual's training.

THE LEAGUE OF NEW HAMPSHIRE CRAFTSMEN SHOPS are located in Concord, Exeter, Hanover, Meredith, North Conway, Sandwich and Wolfeboro Falls. Proceeds from the shops help to defray the costs for these on-going, community-oriented, craft education programs.

Student Potter,
Exeter Council Workshop



This
Page
Intentionally
Left
Blank



99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000

Telefax 617 988 0800

INDEPENDENT AUDITORS' REPORT

The Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

We have audited the general purpose financial statements of the State of New Hampshire as of and for the year ended June 30, 1998, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of any of the entities included in the "Component Units" column and the New Hampshire Public Deposit Investment Pool which comprises 31% of the Fiduciary Fund Type assets and 100% of the Primary Government's Investment Trust included in the Combined Statement of Changes in Net Assets. Those entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for those entities, is based solely on the reports of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the Year 2000 issue. The State of New Hampshire has included such disclosure in Note 16. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of New Hampshire's disclosures with respect to the Year 2000 issue made in Note 16. Further, we do not provide assurance that the State of New Hampshire is, or will be, Year 2000 ready, that the State of New Hampshire's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of New Hampshire does business will be Year 2000 ready.

In our opinion, based on our audit and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding Year 2000 disclosures, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of New Hampshire as of June 30, 1998, and the results of its operations, and cash flows of its proprietary fund types, nonexpendable trust funds, and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 1998, on our consideration of the State of New Hampshire's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants.

Page 2
The Fiscal Committee of the General Court
State of New Hampshire

As described in Note 1, the State of New Hampshire implemented Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* during fiscal year 1998.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of New Hampshire. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, express no opinion thereon.



December 1, 1998

This
Page
Intentionally
Left
Blank

**COMBINED BALANCE SHEET ALL FUND TYPES, ACCOUNT GROUPS AND
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 1998
(Expressed in Thousands)**

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE
	General	Special Revenue	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS				
Cash and Cash Equivalents (Note 3)	\$ 119,581	\$ 175,673		\$ 23,494
Investments (Note 3)	5,315			
Receivables (Net of Allowances for Uncollectibles) (Note 4)	69,352	130,901	\$ 6,815	5,905
Due from Other Funds (Note 7)	11,631	26,127		
Due from Component Units (Note 7)	60,073	5,898		
Inventories	6,415	13,536		20,900
Other Assets	72			3
Loans and Notes Receivable (Note 4)		81,799		
Restricted Assets:				
Cash and Cash Equivalents (Note 3)				887
Investments (Note 3)	45,228			32,405
Due from Primary Government (Note 7)				
Receivables (Note 4)	512			
Deferred Charges				2,783
Fixed Assets (Net of Accumulated Depreciation) (Note 5)				479,769
Amounts to be Provided in Future Years (Note 6)				
Total Assets and Other Debits	\$ 318,179	\$ 433,934	\$ 6,815	\$ 566,146
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts Payable	\$ 52,641	\$ 93,312	\$ 11,360	\$ 22,633
Accrued Payroll	18,826	9,338		1,629
Due to Other Funds (Note 7)	26,251		7,131	4,499
Due to Primary Government (Note 7)				
Due to Component Units (Note 7)				
Deferred Revenue (Notes 4 and 7)	64,590	132,191	872	2,930
Unclaimed Property and Prizes	4,767			4,639
Short-term Notes			30,000	
Other Liabilities	342			219
Custodial Funds Payable				
General Obligation Bonds Payable - Current (Note 6)				4,376
Liabilities Payable from Restricted Assets				10,327
General Obligation Bonds Payable (Note 6)				34,872
Revenue Bonds Payable (Net of Unamortized Discount) (Note 6) ...				255,248
Compensated Absences and Accrued Employee Benefits (Note 6)				4,325
Long-term Debt (Note 6)				
Total Liabilities	167,417	234,841	49,363	345,697
FUND EQUITY AND OTHER CREDITS:				
Investment in General Fixed Assets				12,475
Contributions from Other Funds				36,584
Contributed Capital (Net of Amortization) (Note 11)				171,390
Retained Earnings				
Fund Equity Component Units				
Fund Balances:				
Reserved for Unemployment Compensation Benefits				
Reserved for Various Trust Funds				
Net Assets Held in Trust for Pool Participants				
Reserved for Encumbrances	12,370	170,395	28,282	
Reserved for Investments	2,000			
Reserved for Inventories	6,415	5,148		
Reserved for Unexpended Appropriations	30,413	40,595	119,120	
Reserved for Revenue Stabilization	19,975			
Reserved for Health Care Transition Fund	38,190			
Unreserved, Undesignated (Deficit)	41,399	(17,045)	(189,950)	
Total Fund Equity(Deficit) and Other Credits	150,762	199,093	(42,548)	220,449
Total Liabilities, Fund Equity and Other Credits	\$ 318,179	\$ 433,934	\$ 6,815	\$ 566,146

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)		Totals (Memorandum Only)	
	Trust and Agency	General Fixed Assets	General Long-Term Debt	Primary Government	Component Units (Note 1)	Reporting Entity
\$	8,401			\$ 327,149	\$ 557,735	\$ 884,884
	749,400			754,715	4,033,767	4,788,482
	6,978			219,951	52,925	272,876
	193			37,951		37,951
				65,971		65,971
	84			40,935		40,935
				75	17,518	17,593
				81,799	23,007	104,806
				887	7,832	8,719
				77,633	15,112	92,745
					604	604
				512	16,280	16,792
				2,783		2,783
	\$ 569,219			1,048,988	410,623	1,459,611
		\$ 641,309		641,309		641,309
\$	765,056	\$ 569,219	\$ 641,309	\$ 3,300,658	\$ 5,135,403	\$ 8,436,061
				\$ 179,946	\$ 20,222	\$ 200,168
				29,793	10,111	39,904
\$	70			37,951		37,951
					65,971	65,971
	604			604		604
				200,583	13,539	214,122
				9,406		9,406
				30,000		30,000
	3,695			4,256	577,394	581,650
	212,594			212,594		212,594
				4,376	800	5,176
				10,327	12,600	22,927
		\$ 578,277		613,149	21,540	634,689
				255,248		255,248
		63,032		67,357	53,803	121,160
					98,193	98,193
	216,963		641,309	1,655,590	874,173	2,529,763
	\$ 569,219			569,219		569,219
				12,475		12,475
				36,584		36,584
				171,390		171,390
					4,261,230	4,261,230
	289,644			289,644		289,644
	17,830			17,830		17,830
	240,619			240,619		240,619
				211,047		211,047
				2,000		2,000
				11,563		11,563
				190,128		190,128
				19,975		19,975
				38,190		38,190
				(165,596)		(165,596)
	548,093	569,219		1,645,068	4,261,230	5,906,298
\$	765,056	\$ 569,219	\$ 641,309	\$ 3,300,658	\$ 5,135,403	\$ 8,436,061

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trusts	
REVENUES:					
General Property Taxes	\$ 563				\$ 563
Special Taxes	617,519	\$ 52,535			670,054
Personal Taxes	76,091				76,091
Business License Taxes	65,958	129,224			195,182
Non-Business License Taxes	5,084	56,134		\$ 35,052	96,270
Fees	56,747	28,042			84,789
Fines, Penalties and Interest	27,219	1,733			28,952
Grants from Federal Government	133,834	688,735	\$ 10,256		832,825
Grants from Private and Local Sources	20,367	97,340	45		117,752
Rents and Leases	4,960				4,960
Interest, Premiums and Discounts	3,687	10,585		19,015	33,287
Sale of Commodities	4,698	8,443	95		13,236
Sale of Services	67,294	6,505			73,799
Assessments	13,804	2,637			16,441
Grants from Other Agencies	23,202	5,650			28,852
Miscellaneous	30,519	12,751		620	43,890
Total Revenues	1,151,546	1,100,314	10,396	54,687	2,316,943
EXPENDITURES:					
Current:					
General Government	146,095	26,831	1,772		174,698
Administration of Justice and Public Protection	155,429	40,893	7,982		204,304
Resource Protection and Development	41,069	65,423	7,085		113,577
Transportation	4,873	184,726	11,191		200,790
Health and Social Services	356,200	759,739	12,829	39,996	1,168,764
Education	169,853	90,547	6,581		266,981
Debt Service	67,455	6,838			74,293
Capital Outlay	11,856	121,579	5,174		138,609
Total Expenditures	952,830	1,296,576	52,614	39,996	2,342,016
Excess (Deficiency) of Revenues Over Expenditures	198,716	(196,262)	(42,218)	14,691	(25,073)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	1,935	222,136	292		224,363
Operating Transfers from Enterprise Funds	124,329				124,329
Operating Transfers Out	(221,675)	(2,390)	(298)		(224,363)
Operating Transfers to Component Units	(65,880)		(17,654)		(83,534)
Total Other Financing Sources (Uses)	(161,291)	219,746	(17,660)	-0-	40,795
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	37,425	23,484	(59,878)	14,691	15,722
Fund Balances - July 1	113,337	175,609	17,330	278,985	585,261
Fund Balances (Deficit) - June 30	\$ 150,762	\$ 199,093	\$ (42,548)	\$ 293,676	\$ 600,983

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	General			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
General Property Taxes	\$ 450	\$ 564	\$ 114			
Special Taxes	583,841	617,427	33,586	\$ 52,535	\$ 52,535	
Personal Taxes	72,060	76,091	4,031			
Business License Taxes	66,042	66,689	647	126,908	129,224	\$ 2,316
Non-Business License Taxes	4,971	5,099	128	55,314	56,135	821
Fees	60,330	56,757	(3,573)	40,479	29,430	(11,049)
Fines, Penalties and Interest	24,782	27,219	2,437	3,234	529	(2,705)
Grants from Federal Government	144,210	143,632	(578)	773,467	682,269	(91,198)
Grants from Private and Local Sources	23,493	21,340	(2,153)	112,477	134,160	21,683
Rents and Leases	4,979	5,400	421	33	37	4
Interest Premiums and Discounts	3,543	5,995	2,452	8,989	10,859	1,870
Sale of Commodities	1,002	3,053	2,051	5,989	8,514	2,525
Sale of Services	68,364	66,039	(2,325)	20,512	16,941	(3,571)
Assessments	21,265	18,973	(2,292)	2,903	2,651	(252)
Grants from Other Agencies	69,137	64,434	(4,703)	7,828	6,984	(844)
Miscellaneous	87,569	86,808	(761)	16,197	21,630	5,433
Total Revenue	1,236,038	1,265,520	29,482	1,226,865	1,151,898	(74,967)
EXPENDITURES:						
General Government	230,135	219,913	10,222	33,083	24,254	8,829
Administration of Justice and Public Protection ...	212,036	200,078	11,958	51,118	42,129	8,989
Resource Protection and Development	50,205	45,063	5,142	115,579	71,322	44,257
Transportation	10,910	7,181	3,729	341,201	334,920	6,281
Health and Human Services	364,581	353,951	10,630	810,320	767,818	42,502
Education	251,452	244,815	6,637	120,657	90,994	29,663
Total Expenditures	1,119,319	1,071,001	48,318	1,471,958	1,331,437	140,521
Excess (Deficiency) of Revenues Over (Under) Expenditures	116,719	194,519	77,800	(245,093)	(179,539)	65,554
Other Financing Sources (Uses):						
Operating Transfers In	68,654	68,654		225,215	225,215	
Operating Transfers Out	(224,755)	(224,755)		(2,390)	(2,390)	
Total Other Financing Sources (Uses)	(156,101)	(156,101)	-0-	222,825	222,825	-0-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(39,382)	\$ 38,418	\$ 77,800	(22,268)	\$ 43,286	\$ 65,554
Other Budget Items:						
Transfers from Available Funds	12,582			11,669		
Budget Lapses	26,800			10,599		
Net Budget	\$ -0-			\$ -0-		

This
Page
Intentionally
Left
Blank

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND
BALANCES PROPRIETARY FUND TYPE, NON-EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity
	Enterprise	Non- Expendable Trusts			
OPERATING REVENUES:					
Charges for Sales and Services	\$ 492,377		\$ 492,377	\$ 10,094	\$ 502,471
Contributions		\$ 5,032	5,032		5,032
Interest/Earnings on Investments		490	490	1,245	1,735
Other		2,734	2,734	215	2,949
Total Operating Revenues	492,377	8,256	500,633	11,554	512,187
OPERATING EXPENSES:					
Cost of Sales and Services	290,921		290,921		290,921
Personnel Services	20,906		20,906	2,588	23,494
Supplies and Materials	1,114		1,114		1,114
Communication Services	440		440		440
Travel	166		166		166
Printing and Binding	1,414		1,414		1,414
Advertising	2,413		2,413	345	2,758
Commissions	13,252		13,252		13,252
Heat, Light and Power	1,637		1,637		1,637
Rent	1,756		1,756		1,756
Repairs	5,573		5,573		5,573
Payroll Benefits	5,678		5,678		5,678
Indirect Costs	1,106		1,106		1,106
Enforcement	3,351		3,351		3,351
Payments to Beneficiaries and Refunds		4,491	4,491		4,491
Miscellaneous	1,834	41	1,875	6,068	7,943
Depreciation	9,811		9,811	2,553	12,364
Total Operating Expenses	361,372	4,532	365,904	11,554	377,458
Operating Income	131,005	3,724	134,729	-0-	134,729
NONOPERATING REVENUES (EXPENSES):					
Licenses	3,021		3,021		3,021
Beer Taxes	11,197		11,197		11,197
Interest Revenue	4,111		4,111	1,908	6,019
Miscellaneous	2,211		2,211	(1,587)	624
Interest on Bonds	(13,645)		(13,645)	(1,740)	(15,385)
Amortization of Bond Issuance Costs	(223)		(223)		(223)
Total Nonoperating Revenues (Expenses) ..	6,672		6,672	(1,419)	5,253
Income (Loss) Before Operating Transfers ..	137,677	3,724	141,401	(1,419)	139,982
OPERATING TRANSFERS:					
To General Fund	(124,329)		(124,329)		(124,329)
Net Income (Loss)	13,348	3,724	17,072	(1,419)	15,653
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital	807		807	1,081	1,888
Increase (Decrease) in Retained Earnings (Deficit)/Fund Balances	14,155	3,724	17,879	(338)	17,541
Retained Earnings (Deficit)/Fund Balances - July 1	157,235	10,074	167,309	(3,029)	164,280
Retained Earnings (Deficit)/Fund Balances - June 30	\$ 171,390	\$ 13,798	\$ 185,188	\$ (3,367)	\$ 181,821

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE, NON-EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)		Totals (Memorandum Only)
	Enterprise	Non- Expendable Trusts	Primary Government	Component Units	Reporting Entity
Cash Flows from Operating Activities:					
Operating Income	\$ 131,005	\$ 3,724	\$ 134,729	\$ -0-	\$ 134,729
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation and Amortization	10,034		10,034	2,553	12,587
Change in Operating Assets and Liabilities:					
Decrease in Receivables	(621)		(621)	626	5
Increase in Inventories	(3,690)		(3,690)		(3,690)
Increase in Notes Receivable				(300)	(300)
Increase in Other Assets				(2)	(2)
Increase (Decrease) in Accounts Payable and Other Accruals	4,276	(33)	4,243	1,312	5,555
Decrease in Deferred Revenue	(84)		(84)	(67)	(151)
Contributions from Other Funds	68		68		68
Net Cash Provided by Operating Activities....	140,988	3,691	144,679	4,122	148,801
Cash Flows from Noncapital Financing Activities:					
Transfers to Other Funds	(126,125)		(126,125)		(126,125)
Proceeds from Collection of Licenses and Beer Tax	14,218		14,218		14,218
Proceeds from Loans with Primary Government..					
Interest Paid on Bonds				(1,740)	(1,740)
Principal Paid on Bonds				(500)	(500)
Net Cash Used for Noncapital Financing Activities	(111,907)		(111,907)	(2,240)	(114,147)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets...	(29,057)		(29,057)	(6,817)	(35,874)
Repayments to Tenant				(26)	(26)
Increase in Contributed Capital	1,126		1,126	2,070	3,196
Repayments to Primary Government				(1,010)	(1,010)
Proceeds from Loans				2,063	2,063
Equipment Lease Principal Payments				487	487
Interest Paid on Revenue and General Obligation Bonds	(18,131)		(18,131)		(18,131)
Principal Paid on Revenue and General Obligation Bonds	(10,403)		(10,403)		(10,403)
Net Cash Used for Capital and Related Financing Activities	(56,465)		(56,465)	(3,233)	(59,698)

Continued. . .

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE, NON-EXPENDABLE TRUST FUNDS
AND DISCRETELY PRESENTED COMPONENT UNITS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)		Totals (Memorandum Only)
	Enterprise	Non- Expendable Trusts	Primary Government	Component Units	Reporting Entity
Cash Flows from Investing Activities:					
Purchase of Investments	(17,397)	(9,471)	(26,868)	(1,159)	(28,027)
Proceeds from Maturities of Investments	17,353	5,702	23,055		23,055
Interest and Other Income	6,762		6,762	1,260	8,022
Net Cash Provided By (Used for) Investing Activities	6,718	(3,769)	2,949	101	3,050
Net Increase (Decrease) in Cash and Cash Equivalents	(20,666)	(78)	(20,744)	(1,250)	(21,994)
Cash and Cash Equivalents - July 1	45,047	1,418	46,465	14,490	60,955
Cash and Cash Equivalents - June 30	\$ 24,381	\$ 1,340	\$ 25,721	\$ 13,240	\$ 38,961

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

Cash and Cash Equivalents for the Non-expendable Trust Funds and the Component Units as of June 30, 1998, on the Combined Statement of Cash Flows is reconciled to the Cash and Cash Equivalents on the Combined Balance Sheet as follows:

**Cash and Cash Equivalents June 30, 1998:
(Expressed in Thousands)**

Fiduciary Fund Types:

Nonexpendable Trust Funds	\$ 1,340
Expendable Trust Funds	679
Agency Funds	6,382
Total Fiduciary Fund Types	\$ 8,401

Component Units:

College and University Funds	\$ 66,751
Pension Trust Funds	485,576
Proprietary Funds	13,240
Total Component Units	\$ 565,567

**COMBINED STATEMENT OF CHANGES IN NET ASSETS - INVESTMENT TRUST
AND PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Primary Government Investment Trust	Component Units Pension Trust	Totals (Memorandum Only) Reporting Entity
ADDITIONS:			
Contributions:			
Employer Normal and Accrued Liability		\$ 47,353	\$ 47,353
State Contributions on Behalf of Local Employers		11,624	11,624
Total Employer Contributions		58,977	58,977
Plan Members		77,395	77,395
Participants' Contributions	\$ 506,195		506,195
Post Retirement Medical Plan Contributions on Behalf of Employers		3,043	3,043
Total Contributions	506,195	139,415	645,610
Investment Income:			
Net Appreciation in Fair Value of Investments	87	454,071	454,158
Interest	12,878	54,953	67,831
Dividends		32,614	32,614
Timberfund Income (Loss)		(1,818)	(1,818)
Alternative Investment Income		2,151	2,151
Commercial Real Estate Operating Income		39,479	39,479
Security Lending Income		24,747	24,747
Gross Investment Income	12,965	606,197	619,162
Less: Investment Expenses:			
Security Lending Borrower Rebates		22,776	22,776
Investment Management Fees		28,891	28,891
Commercial Real Estate Operating Expense		17,990	17,990
Custodial Fees		961	961
Security Lending Management Fees		591	591
Investment Advisor Fees		603	603
Other		(337)	(337)
Total Investment Expenses		71,475	71,475
Net Investment Income	12,965	534,722	547,687
Administrative Assessment		5,748	5,748
Other		(298)	(298)
Total Additions	519,160	679,587	1,198,747
DEDUCTIONS:			
Benefits		144,300	144,300
Withdrawals and Distributions	462,428		462,428
Refunds of Contributions		16,939	16,939
Administrative Expense		4,642	4,642
Post Retirement Medical Plan Contributions to Pension Plan on Behalf of Employers		3,043	3,043
Consulting Fees		639	639
Other		91	91
Total Deductions	462,428	169,654	632,082
Net Increase	56,732	509,933	566,665
NET ASSETS HELD IN TRUST:			
Beginning of the Year (Note 1)	183,887	3,295,489	3,479,376
End of the Year	\$ 240,619	\$ 3,805,422	\$ 4,046,041
The notes to the financial statements are an integral part of this statement.			

**COMBINED STATEMENT OF CHANGES IN FUND BALANCES COMPONENT UNITS -
COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Current Funds		Loan	Endowment and	Plant	Totals
	Unrestricted	Restricted	Funds	Similar Funds	Funds	
REVENUES AND OTHER ADDITIONS:						
Unrestricted Current Funds Revenues	\$ 279,834					\$ 279,834
Federal Appropriations - Restricted		\$ 3,744				3,744
Government Grants and Contracts - Restricted		45,291	\$ 382		\$ 315	45,988
Private Gifts and Grants - Restricted		13,941		\$ 16,314	190	30,445
Endowment Income - Other than Unrestricted		1,713	3	1,602		3,318
Investment Income - Other than Unrestricted		200	59	227	69	555
Gain on Investments				15,868		15,868
Interest on Loans Receivable			452			452
Current Funds Equipment Expenditures					8,650	8,650
Other Additions, Net			61		413	474
Total Revenues and Other Additions	279,834	64,889	957	34,011	9,637	389,328
EXPENDITURES AND OTHER DEDUCTIONS:						
Current Funds Expenditures	315,129	65,877				381,006
Administrative and Collection Costs			505	2,877	194	3,576
Noncapitalized Plant Expenditures					4,806	4,806
Interest on Debt					6,657	6,657
Depreciation Expense					23,565	23,565
Other Deductions, Net			(3)	101		98
Total Expenditures and Other Deductions	315,129	65,877	502	2,978	35,222	419,708
TRANSFERS AMONG FUNDS, NET:						
Mandatory Transfers	(10,550)		85		10,465	
Nonmandatory Transfers:						
Among Current Funds	(32)	32				
From Loan Funds		53	(53)			
To/(From) Endowment and Similar Funds	(570)	1,320		(3,364)	2,614	
To/(From) Plant Funds	(23,640)	(754)		(172)	24,566	
Total Transfers Among Funds, Net	(34,792)	651	32	(3,536)	37,645	
Operating Transfers From Primary Government	65,880				17,654	83,534
Net Increase in Fund Balances	(4,207)	(337)	487	27,497	29,714	53,154
Fund Balances - July 1	9,031	11,024	21,025	107,377	233,662	382,119
Fund Balances - June 30	\$ 4,824	\$ 10,687	\$ 21,512	\$ 134,874	\$ 263,376	\$ 435,273

The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Unrestricted	Restricted	Totals
REVENUES:			
Educational and General:			
Tuition and Fees	\$ 156,372		\$ 156,372
Federal Appropriations		\$ 3,717	3,717
Government Grants and Contracts	8,373	45,423	53,796
Private Grants and Contracts	26	11,603	11,629
Private Gifts	4,915	3,150	8,065
Endowment Income	1,739	1,918	3,657
Investment Income	6,462	66	6,528
Sales and Services of Educational Activities	6,921		6,921
Other Sources	6,161		6,161
Total Educational and General	190,969	65,877	256,846
Auxiliary Enterprises	88,865		88,865
Total Revenues	279,834	65,877	345,711
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and General:			
Instruction	104,709	719	105,428
Research and Sponsored Programs	10,309	43,666	53,975
Public Services	11,983	3,932	15,915
Academic Support	26,131	1,165	27,296
Student Services	17,628	558	18,186
Institutional Support	28,970	113	29,083
Operation and Maintenance of Plant	17,236	19	17,255
Student Financial Aid	26,327	15,705	42,032
Educational and General Expenditures	243,293	65,877	309,170
Mandatory Transfers for:			
Principal and Interest	307		307
Loan Fund Matching Grants	85		85
Total Educational and General	243,685	65,877	309,562
Auxiliary Enterprises:			
Expenditures	71,836		71,836
Mandatory Transfers for Principal and Interest	10,158		10,158
Total Auxiliary Enterprises	81,994		81,994
Total Expenditures and Mandatory Transfers	325,679	65,877	391,556
OTHER CHANGES:			
Excess of Restricted Receipts Over Revenues Utilized		(988)	(988)
Nonmandatory Transfers	(24,242)	651	(23,591)
Operating Transfers from Primary Government	65,880		65,880
Net Decrease in Fund Balances	\$ (4,207)	\$ (337)	\$ (4,544)

The notes to the financial statements are an integral part of this statement.

Notes to General Purpose Financial Statements

INDEX

1. Summary of Significant Accounting Policies	
A. Financial Reporting Entity	32
B. Basis of Presentation - Fund Accounting	33
C. Measurement Focus and Basis of Accounting	34
D. Cash Equivalents	34
E. Investments	34
F. Receivables	34
G. Inventories	35
H. Restricted Assets	35
I. Fixed Assets	35
J. Deferred Revenue	35
K. Compensated Absences	35
L. Encumbrances	35
M. Fund Equity	36
N. Grants	36
O. Capital Outlay	36
P. Bond Discounts, Premiums and Issuance Costs	36
Q. Interfund and Intraentity Transactions	36
R. Capital Projects	37
S. Interpretation of "Totals (Memorandum Only)" Column	37
T. Budget Control and Reporting	37
2. Reconciliation of Fund Equity	38
3. Cash, Cash Equivalents and Investments	38
4. Receivables and Loans Receivable	41
5. Fixed Assets	42
6. Long-Term Debt	42
7. Interfund Receivables and Payables	45
8. Employee Benefit Plans	45
9. Lease Commitments	46
10. Undesignated Fund Balance	47
11. Contributed Capital	47
12. Risk Management and Insurance	47
13. Selected Financial Information	48
14. Contingent and Limited Liabilities	49
15. Litigation	50
16. Year 2000 (Unaudited)	50
17. Subsequent Event	51

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements of the State of New Hampshire (the State) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, the State has included all funds, organizations, account groups, agencies, boards, commissions and authorities and has considered all potential component units for which the State is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. Governmental Accounting Standards Board (GASB) Statement No. 14 has set forth criteria to be considered in determining financial accountability. These criteria include whether the State, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government based on GASB Statement No. 14 criteria, although the primary government does not appoint a voting majority of the organization's governing board.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units which do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the State are deemed to be "related organizations" under GASB Statement No. 14. The nature and relationship of the State's component units and related organizations are disclosed in the following section.

Discrete Component Units:

Discrete component units are entities which are legally separate from the State, but for which the State is financially accountable for financial reporting purposes, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. The component units columns of the general purpose financial statements include the financial data of these entities. Complete audited financial statements of the individual component units can be obtained from the respective entities.

Business Finance Authority of the State of New Hampshire (Proprietary Fund Type) - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive

Council. The remaining members include two State Representatives, two State Senators, and the State Treasurer. The State currently guarantees \$77.0 million of outstanding loans and principal on bonds of the BFA as of June 30, 1998, which creates the potential for the BFA to impose a financial burden on the State.

The Community Development Finance Authority (Proprietary Fund Type) - The Community Development Finance Authority (CDFA) is a body corporate and politic and organized as a nonprofit corporation under RSA 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. An investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the State. In accordance with RSA 162-L:8, the total credits allowed shall not exceed \$2.0 million in any state fiscal year through June 30, 1999. Under GASB Statement No. 14 criteria, these credits impose a financial burden on the State. The CDFA has a fiscal year end of December 31.

New Hampshire Retirement System (Pension Trust Fund) - The New Hampshire Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death and retirement protection to its members which include full-time employees of the State and substantially all school teachers, firefighters and police officers within the State. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a thirteen member Board of Trustees on which the State does not represent a voting majority. The Board is fiduciarily responsible for the trust fund's assets and directs the investment of the pension assets, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the Board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the State under GASB Statement No. 14 criteria as the employee member contribution rates are set through State statute, and the State has budget approval authority over the administrative costs of the System.

Pease Development Authority (Proprietary Fund Type) - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the State and three members are appointed by the City of Portsmouth and the Town of Newington. The State has loaned the PDA \$13.4 million for operating purposes, \$5.9 million for water pollution control

and \$5.0 million for matching funds relative to federal grants. The State has also issued \$27.1 million of bonds on behalf of the PDA.

University System of New Hampshire (College and University Fund) - The University System of New Hampshire (University System) is a body corporate and politic with a governing board of twenty-five members. A voting majority is represented by the State through the eleven members appointed by the Governor and Executive Council of the State and three state officials serving as required by law. These state officials are the Governor, the Commissioner of the Department of Education and Commissioner of the Department of Agriculture. The remaining board members represent the university and the various colleges of the system, the alumni and the student body. The University System funds its operations through tuition and fees, government grants and contracts, auxiliary operations and state appropriations. These state appropriations for operations and capital projects represented 17.7% of the total University System's revenue for fiscal year 1998.

Related Organizations:

The State is responsible for appointing voting members to the governing boards of the following legally separate organizations, but the State's financial accountability for these organizations does not extend beyond making the appointments. Therefore, the financial data of these entities is excluded from the state's financial statements.

Maine - New Hampshire Interstate Bridge Authority - The Maine - New Hampshire Interstate Bridge Authority (Authority) was created by the Acts of the Maine Legislature and the New Hampshire Legislature in 1936-1937. The Authority is a jointly governed board which directs the long-term operation of the bridge spanning the Piscataqua River between the two states. The Commissioner of the New Hampshire Department of Transportation and two other board members appointed by the Governor and Executive Council comprise three of the six member governing board of the Authority. A trust fund established from toll revenues collected through July 1972 funds the maintenance of the bridge.

New Hampshire Higher Education and Health Facilities Authority - The New Hampshire Higher Education and Health Facilities Authority (Authority) is a body corporate and politic created by Chapter 195-D of the State's statutes. The purpose of the Authority is essentially to provide not-for-profit hospitals, nursing homes, institutions for higher education and other similar organizations as defined in the enacting legislation with an additional method for financing buildings, equipment and student loan programs. The seven members of the Authority's governing board are appointed by the Governor and Executive Council. The bonds issued by the Authority are the liability of the Authority. The State is not liable or contingently liable for the debt of the Authority. The operations of the Authority are funded by fees charged for services provided.

New Hampshire Housing Finance Authority - The New Hampshire Housing Finance Authority (Authority) is a body corporate and politic created by Chapter 204-C of the State's statutes. The purpose of the Authority is to stimulate the

construction and rehabilitation of housing for low and moderate income families in New Hampshire. The governing board of the Authority is comprised of nine members appointed by the Governor and Executive Council. The bonds issued by the Authority are the liability of the Authority. The State is not liable or contingently liable for the debt of the Authority. The operations of the Authority are funded by fees charged for services provided.

New Hampshire Municipal Bond Bank - The New Hampshire Municipal Bond Bank (Bond Bank) is a body corporate and politic created by Chapter 35-A of the State's statutes. The Bond Bank enables governmental units within the State (e.g. counties, towns, school districts, etc.) to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. The governing board of the Bond Bank consists of the State Treasurer and four other members appointed by the Governor and Executive Council. The bonds issued by the Bond Bank are the liability of the Bond Bank. The State is not liable or contingently liable for the debt of the Bond Bank. The operations of the Bond Bank are funded by investment earnings and fees.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accompanying financial statements of the State's primary government are presented in three fund types and two account groups. The fund types include governmental, proprietary and fiduciary funds. Account groups are presented for general fixed assets and general long-term debt. Each fund type is divided into separate funds.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental Fund Types

General Fund: The General Fund accounts for all financial transactions not accounted for in any other fund.

Special Revenue Funds: The Special Revenue Funds (Highway Fund, Fish and Game Fund and the Special Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of State bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

Proprietary Fund Type

Enterprise Funds: The State's Enterprise Funds were established to account for the self-supporting activities of State

[Return to Table of Contents](#)

governmental units which render services on a user-charge basis to the general public. These funds account for the activities of the Turnpike System, Liquor Commission, and Sweepstakes Commission.

Fiduciary Fund Types

Trust and Agency Funds: Transactions related to assets held by the State in a trustee or agency capacity are accounted for in the fiduciary fund type. The fiduciary fund type is comprised of expendable trust funds, non-expendable trust funds, an investment trust fund and agency funds. All assets of an expendable trust fund can be expended to achieve the purpose for which it was established. The principal of the non-expendable trust funds is held in perpetuity, whereas the earnings on the principal are used to support the funds' purpose. In accordance with GASB 31, the investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP), which has been included for the first time. Complete audited financial statements of the NHPDIP can be obtained by contacting them at 169 Manchester Street, Concord, NH 03301. Agency funds account for assets received by the State as an agent for other governmental units, other organizations, or individuals.

Account Groups

General Fixed Assets: The General Fixed Asset Account Group is used to account for the fixed assets of the governmental funds. Fixed assets of the proprietary funds and the discretely presented component units are accounted for in their respective funds.

General Long-Term Debt: Activities related to governmental funds' unmatured long-term general obligation bonds payable and the cumulative long-term liability for compensated absences and uninsured claims are reflected in the General Long-Term Debt Account Group.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus and reported on a modified accrual basis of accounting. With this measurement focus, unreserved fund balance generally reflects net current assets. Operating statements of these funds present increases (e.g. revenues and other financing sources) and decreases (e.g. expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues and assets are recognized when measurable and thereafter to be used to pay liabilities of the current period. Expenditures and liabilities are recognized as obligations when incurred as a result of a receipt of goods or services, except that interest on long-term debt is recognized as an expenditure when it becomes payable.

Agency Funds are also accounted for on the modified accrual basis of accounting, but do not recognize revenues and expenditures.

All proprietary funds, non-expendable trust funds and

investment trust funds are accounted for on a flow of economic resources measurement focus and reported on an accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (e.g. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. For all proprietary funds, the State applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The presentation of the underlying fund types and basis of presentation of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

The presentation of the component units is not meant to be a consolidation within the State reporting entity as transactions within the entity such as fixed assets and long-term debt have not been reported in the applicable State account group. However, appropriations to the component units are recorded as operating transfers out of the General and Capital Funds and as operating transfers into the component unit organization.

D. CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash equivalents represent short term investments with original maturities less than three months from the date acquired by the State.

E. INVESTMENTS

Investments are reported at fair value in accordance with GASB 31 except for investments of the investment trust fund which are reported at net amortized cost because it qualifies as a 2a-7 like pool. The adoption of GASB 31 in fiscal year 98 did not have a material effect on the carrying value of investments.

F. RECEIVABLES

Receivables in the governmental fund types consist primarily of accrued taxes and federal grants receivable. Taxes receivable are primarily taxpayer-assessed revenues representing amounts owed by the taxpayers for the period ended June 30 which are received by the State shortly thereafter. These revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting. Federal grant receivables are amounts due from the federal government to reimburse the State for expenditures incurred pursuant to federally funded programs.

No allowance for uncollectible amounts has been established for receivables in the governmental funds. Taxes receivable are substantially based on subsequent collections and the collection of amounts due from the federal government are reasonably assured under federal programs.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. The Sweepstakes game tickets are stated at the lower of cost (first-in, first-out method) or market. All other inventories in the governmental and proprietary funds are stated at average cost, except for Food Stamp coupons which are valued at the coupon face value for amounts held by the State or its agents at year end.

Governmental Fund inventories are recorded under the purchase method with the exception of the Food Stamp coupons. Reported inventory balances in the governmental funds are equally offset by a fund balance reserve that indicates they do not constitute "available spendable resources" even though they are part of net current assets. The Food Stamp inventory balance of \$8.4 million is offset by a corresponding amount of deferred revenue.

H. RESTRICTED ASSETS

Chapter 122 of the Laws of 1994 established the Health Care Transition Fund (HCTF). The restricted investments and receivables in the General Fund are the assets restricted for the HCTF purpose (see Note 1-M. Fund Equity).

The proceeds of Turnpike System 1987, 1990 and 1994 revenue bond series and 1991 and 1992 revenue bond refunding series, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by the bond resolutions.

I. FIXED ASSETS

Fixed Assets - Governmental Funds: General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. For financial reporting purposes, the State capitalizes equipment with costs of \$10,000 or greater and land, land improvements, building, building improvements and construction in progress with costs of \$100,000 or greater. All purchased fixed assets are recorded at historical cost and in some instances at an estimated historical cost. Donated fixed assets are recorded at their estimated fair market value on the date received. Interest costs incurred during construction are not capitalized. Public domain ("infrastructure") General Fixed Assets consisting of roads, bridges, dams, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the State. Assets in the General Fixed Assets Account Group are not depreciated.

Fixed Assets - Enterprise Funds: Fixed assets related to the Enterprise Funds are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Depreciation is computed using the straight-line method over the fixed assets' estimated useful lives which are as follows: Infrastructure - 50 years; Buildings - 20 to 40 years; Land Improvements - 20 years; Building Improvements - term of lease; and Equipment - 3 to 10 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related fixed asset, as applicable.

Fixed assets purchased or constructed by other funding sources are recorded at cost and offset by an increase to "Contributions from Other Funds" or "Contributed Capital, (Net of Amortization)".

J. DEFERRED REVENUE

Deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund type has primarily resulted as an offset to long-term loans receivable and federal funds received in advance of eligible expenditures.

K. COMPENSATED ABSENCES

Every continuing full-time State employee in classified service is entitled to annual and sick leave with full pay on the basis of the employee's scheduled work week and years of service. Annual and sick leave is computed at the end of each completed month of service. Employees rendering seasonal or temporary service in excess of six months are entitled to annual and sick leave at the same rate for time actually worked. At the end of each fiscal year, additional leave (Bonus Days) is awarded based on the amount of sick leave taken during the year. The maximum annual accrual for bonus days is four days. Accrued compensatory time, earned for overtime worked, must be taken within one year from the date the time is earned.

The State's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory and sick leave based on years of service rendered. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 30 to 48 days based on years of service. Compensatory leave liability is the amount of unused compensatory hours earned in the past year. Bonus hours accrued subsequent to June 30, 1995, must be used within one year of the date earned. The cumulative balance of unused bonus hours earned prior to June 30, 1995, can be carried forward to future periods. The sick leave liability is estimated based on the years of service rendered by the employee using a termination methodology in accordance with Governmental Accounting Standards Board Statement No. 16.

L. ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services the encumbrance is liquidated and the expenditure and liability are recorded. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

M. FUND EQUITY

Contributed capital is recorded in the proprietary funds that have received capital grants, contributions from the public or working capital transfers from other funds.

Fund balances for all governmental funds are either reserved or unreserved. Reserved fund balances reflect either 1) assets which, by their nature, are not available for appropriations (Reserve for Inventories and Reserve for Investments) or 2) funds legally segregated for a specific future use (Reserve for Encumbrances). Certain reserve accounts are further described below:

Reserved for Unexpended Appropriations: The account represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved for Revenue Stabilization: Per RSA 9:13-e, a revenue stabilization account was established in the General Fund. The Reserved for Revenue Stabilization account cannot be used for any purpose other than deficit reduction without specific approval of two-thirds of each house of the Legislature and the Governor. At the close of each fiscal biennium, any General Fund undesignated fund balance will be transferred to the Reserved for Revenue Stabilization account. RSA 9:13 establishes limits to the amount that can be transferred in and establishes the maximum balance that may accumulate in the account equal to 5% of the General Fund unrestricted revenue.

Chapter 109, NH Laws of 1998, effective July 1, 1998 (FY 1999) changes the distribution methodology promulgated by RSA 9:13-e for any General Fund undesignated fund balance existing at the close of a fiscal biennium. Beginning with the fiscal year ending June 30, 1999, any such balance will be distributed 50% to the Reserved for Revenue Stabilization account and 50% will be distributed to the Health Care Fund established by RSA 167:70. Additionally, effective with fiscal year 1999, the maximum balance that may accumulate in the Reserved for Revenue Stabilization account has been raised to 10% of the General Fund unrestricted revenue.

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserved for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall.

Reserved for Health Care Transition Fund: RSA 167 established the Health Care Transition Fund. The purpose of the fund is to provide financial resources for future changes in the State's health care system which will increase the access to quality health care for the citizens of New Hampshire. In 1994, a portion of net Medicaid enhancement revenues received as a result of an amendment to the State's Medicaid Plan relative to the New Hampshire Hospital disproportionate share revenues were set aside to establish the initial fund balance.

Subsequent legislation provides for transfers from the Health Care Transition Fund to cover General Fund undesignated fund balance deficits due to 1) a shortfall in net Medicaid enhancement revenues in fiscal years 1995 through 1997 and

2) a shortfall in revenue recoupment efforts anticipated under a consulting contract entered into by the Department of Health and Human Services in fiscal years 1997 through 1999. Both transfers are limited to the smaller of the General Fund undesignated fund balance deficit or the calculated revenue shortfall.

In the event that net medicaid enhancement revenues exceed amounts budgeted in 1995 or any subsequent fiscal year, the excess shall be transferred back to the Health Care Transition Fund. The amount transferred to the Health Care Transition Fund shall not exceed the cumulative amount transferred from the fund.

All transfers from the Health Care Transition Fund require the prior approval of the Legislative Fiscal Committee.

Chapter 109, NH Laws of 1998, effective July 1, 1998 (FY 1999) establishes a ceiling for the accumulated assets in the Health Care Transition Fund at \$100 million. At the end of any fiscal biennium, all principal assets in the fund in excess of \$100 million will be transferred to the Reserved for Revenue Stabilization account.

N. GRANTS

Certain federal grants made on an advance drawdown basis, are recorded as deferred revenue when received and revenue when the expenditures are incurred. Other federal grants made on a reimbursement basis are recorded as receivables and revenues when the related expenditures are incurred.

O. CAPITAL OUTLAYS

Capital Outlays represent equipment purchases for all funds. In addition to equipment purchases, the Highway Fund's capital outlays represent expenditures for the 10-year State highway construction program.

P. BOND DISCOUNTS, PREMIUMS AND ISSUANCE COSTS

In governmental fund types, bond discounts, premiums and issuance costs are recognized in the period the bond proceeds are received. Bond discounts and issuance costs for the proprietary fund type are deferred and amortized over the term of the bonds. Bond discounts are amortized using the effective interest method, and bond issuance costs are amortized using the straight line method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

Q. INTERFUND AND INTRAENTITY TRANSACTIONS

The State accounts for interfund and intraentity transactions as described below:

Operating Transfers - Legally required transfers are reported when incurred as "Operating Transfers in" by the receiving fund and as "Operating Transfers out" by the disbursing fund. Legally required transfers between the primary government and its component units are reported as "Operating Transfers from/to Primary Government" and "Operating Transfers to/

from Component Units."

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel and maintenance. These fees are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department. Other material reimbursement items, however, initially made from one fund properly applicable to another are recorded as expenditures in the reimbursing fund and as expenditure reductions in the fund reimbursed.

Quasi-external Transactions - Charges or collections for services rendered by one fund to another are recorded as revenues of the receiving fund and expenditures/expenses of the disbursing fund.

R. CAPITAL PROJECTS

The State records the resources obtained and used for the acquisition, construction or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded, and encumbrances are liquidated, as incurred.

Resources obtained to finance capital projects include federal grants and general obligation bonds. General obligation bonds are recorded as a liability in the General Long-Term Debt Account Group, and as other financing sources in the funds that receive the proceeds.

S. INTERPRETATION OF "TOTALS (MEMORANDUM ONLY)" COLUMN

Totals (memorandum only) columns have been added to certain statements for the primary government and the reporting entity. The total columns include interfund activity and are not comparable to consolidated financial statements, but are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. The primary government includes all funds, organizations, account groups, agencies, boards, commissions and authorities that are not legally separate from the State. The reporting entity includes the primary government and its discretely presented component units.

T. BUDGET CONTROL AND REPORTING

The statutes of the State of New Hampshire require the

Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes annual budgets for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs as well as estimating revenues to be received. There is no constitutional or statutory requirement that the Governor propose or the Legislature adopt a budget that does not resort to borrowing. Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary fund types with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects which extend over several fiscal years. Since the Capital Projects Fund is comprised of appropriations for multi-year projects, it is not included in the budget and actual comparison statement. Fiduciary type funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. During the 1998 Legislative Session, \$0.4 million of supplemental budget requests were approved. Appropriation transfers can be made within a department without the approval of the Legislature, therefore, the legal level of budgetary control is at the departmental level.

Additional fiscal control procedures are maintained by both the executive and legislative branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriation at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as non-lapsing which means the balances are reported as reservation of fund balance. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

2. RECONCILIATION OF FUND EQUITY

The following schedule reconciles fund equity of the general and special revenue funds of the primary government at June 30, 1998, for differences between the budgetary accounting methods and generally accepted accounting principles (GAAP) (expressed in thousands):

	General	Special Revenue
June 30, 1998 (Budgetary)	\$ 240,217	\$ 244,935
Adjustments and Reclassifications:		
Receivables	1,998	81,466
Payables	(61,649)	(134,390)
Transfer to Liquor	(3,677)	
Transfer to Special	(26,127)	26,127
Bonds Authorized Adj.		(19,045)
June 30, 1998 (GAAP)	\$ 150,762	\$ 199,093

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

PRIMARY GOVERNMENT

The State pools cash and investments, except for separate cash and investment accounts which are maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets are included on the accompanying balance sheets under the captions "Cash and Cash Equivalents" and "Investments".

Deposits: The following statutory requirements and Treasury Department policies have been adopted to minimize risk associated with deposits.

New Hampshire Revised Statutes Annotated (RSA) Chapter 6:7 as amended (1987) establishes the policy the State Treasurer must adhere to when depositing public monies. The statute restricts deposits to certain types of banking institutions and limits the amounts that may be on deposit with a particular bank at any one time. In addition, all depositories used by the State must be approved, at least annually, by the Governor and Executive Council.

RSA Chapter 6-B:2 as amended (1985) requires the State Treasurer to submit quarterly financial reports detailing

depository activity to the Governor and Executive Council, the Commissioner of Administrative Services and the Legislative Fiscal Committee.

The Treasury Department examines the financial condition of its depositories quarterly. The State Treasurer is not required to collateralize bank deposits. However, during fiscal year 1998, the Treasury Department collateralized deposits at two of its major depositories.

Investments: The following statutory requirements and Treasury Department policies have been adopted to ensure reasonable rates of return on investments while minimizing risk factors.

RSA Chapter 6:8 sets the policies the State Treasurer must adhere to when investing State funds. With the approval of the Governor and Executive Council, the State Treasurer must invest in obligations of the United States Government, in obligations which are legal investments for savings banks and trust companies, in all types of savings accounts, in participation units in the public deposit investment pool established pursuant to RSA 383:22, in certificates of deposit of state or federally chartered banking institutions within New Hampshire, or in certificates of deposit of national banks within the Commonwealth of Massachusetts.

The financial condition of each bank in which or through which investments are made, are evaluated by the Treasury Department on a quarterly basis. Banks through which repurchase agreements are written maintain their collateral in an investment book entry account with the Federal Reserve. That collateral is not separate from the banks' assets. However, securities used for collateral are segregated from the bank's investment account and are kept free of liens, charges or claims of third parties. Repurchase agreements represent 0.6% of the State's investment portfolio at June 30, 1998. The State Treasurer is prohibited by statute from entering into reverse repurchase agreements.

Some United States Government Obligations are classified as cash and cash equivalents on the balance sheet because their original maturities are less than three months. For purposes of the notes to the financial statements, United States Government Obligations are categorized as investments in accordance with GASB Statement No. 3.

The balance of the State's deposit accounts at June 30, 1998, listed by custody risk category, are shown in the following schedule. The total bank balance represents the total amounts on deposit as reported by the banks. The carrying amount represents the balances per the State's records. The principal difference in demand deposits is outstanding checks which have not cleared the bank as of June 30, 1998 (Expressed in thousands):

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Pooled Deposits:					
Demand Deposits (Interest Bearing)	\$ 438	\$ 1,829	\$ 117,887	\$ 120,154	\$ 75,636
Money Market Accounts			91,636	91,636	91,636
Savings Accounts			20,935	20,935	20,935
Certificates of Deposit			2,091	2,091	2,091
Sub Total	438	1,829	232,549	234,816	190,298
Restricted Deposits:					
Demand Deposits (Interest Bearing) . . .			10,808	10,808	11,017
Money Market Accounts			886	886	886
Total Deposits	\$ 438	\$ 1,829	\$ 244,243	\$ 246,510	\$ 202,201

Category 1 Fully insured or collateralized with securities held by the State or its agent in the State's name.

Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.

Category 3 Uncollateralized.

In accordance with GASB Statement No. 3, investments are classified as to custody risk by the three categories described below (expressed in thousands):

	Categories			Fair Value
	1	2	3	
Pooled Investments:				
Stocks and Bonds	\$ 2,000		\$ 9,244	\$ 11,244
Repurchase Agreements			83	83
United States Government Obligations . .	18,585		8,428	27,013
Subtotal	20,585	\$ -0-	17,755	38,340
Restricted Investments:				
Repurchase Agreements	5,000			5,000
United States Government Obligations . .	65,005			65,005
Subtotal	\$ 70,005	\$ -0-	\$ -0-	70,005
Uncategorized:				
United States Government Obligations (funds on deposit in the Federal Unemployment Trust Fund)				286,716
External Portion N.H. Public Deposit Investment Pool				240,352
Deferred Compensation Plan (Note 8) . .				118,064
N.H. Public Deposit Investment Pool . .				15,911
Open-ended Mutual Funds				183,321
Subtotal				844,364
Total Investments				\$ 952,709

Category 1 Insured or registered in the State's name, or securities held by the State or its agent in the State's name.

Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.

Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

The following are summaries of the State's cash on hand, deposits and investments, which reconcile to the balance sheet captions (including restricted assets) cash and cash equivalents and investments (expressed in thousands):

Per the Combined Balance Sheet:

Per Note 3 Classifications:

Unrestricted:			
Cash and Cash Equivalents	\$ 327,149	Cash on Hand	\$ 5,474
Investments	754,715	Carrying Amount of Deposits	202,201
Restricted:			
Cash and Cash Equivalents	887	Investments at Fair Value	712,357
Investments	77,633	Investments at Amortized Cost	240,352
Total	\$ 1,160,384	Total	\$ 1,160,384

COMPONENT UNITS**Level of Risks of Cash and Cash Equivalents (expressed in thousands):**

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Deposits:					
Demand Deposits (Interest Bearing)	\$ 300		\$ 9,623	\$ 9,923	\$ 2,627
Money Market Fund			11,520	11,520	11,520
Subtotal	300	\$ -0-	21,143	21,443	14,147
Restricted Deposits:					
Demand Deposits (Interest Bearing)	2,700		5,215	7,915	7,832
Total Deposits	\$ 3,000	\$ -0-	\$ 26,358	\$ 29,358	\$ 21,979

Category 1 Fully insured or collateralized with securities held by the State or its agent in the State's name.
Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
Category 3 Uncollateralized.

Level of Risks of Investments (expressed in thousands):

	Categories			Fair Value
	1	2	3	
Investments:				
Repurchase Agreements			\$ 17,545	\$ 17,545
Stocks and Bonds	\$ 2,715,311		97,570	2,812,881
United States Government Obligations .	432,584			432,584
Subtotal	3,147,895	\$ -0-	115,115	3,263,010
Restricted Investments:				
United States Government Obligations .	9,782			9,782
Uncategorized				1,319,675
Total Investments	\$ 3,157,677	\$ -0-	\$ 115,115	\$ 4,592,467

Category 1 Insured or registered in the State's name, or securities held by the State or its agent in the State's name.
Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

The following are summaries of the component units' deposits and investments which reconciles to the balance sheet captions (including restricted assets) cash and cash equivalents and investments (expressed in thousands):

Per the Combined Balance Sheet:**Per Note 3 Classifications:**

Unrestricted:			
Cash and Cash Equivalents	\$ 557,735	Carrying Amount of Deposits	\$ 21,979
Investments	4,033,767	Investments at Fair Value	4,592,467
Restricted:			
Cash and Cash Equivalents	7,832		
Investments	15,112		
Total	\$ 4,614,446	Total	\$ 4,614,446

4. RECEIVABLES AND LOANS RECEIVABLE

Accounts Receivable:

The following is a summary of receivables at June 30, 1998 (expressed in thousands):

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	COMPONENT UNITS
	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise Funds	Trust and Agency	
Taxes:						
Meals and Rooms	\$ 12,153					
Business Profits	4,703					
Tobacco	4,450					
Estate and Legacy	14,000					
Real Estate Transfer	5,491					
Communications	4,463					
Business Enterprise Tax	1,445					
Gasoline Road Toll		\$ 9,581		\$ 1,112		
Beer						
Sub Total	46,705	9,581		1,112		
Other Receivables:						
Enterprise Funds				4,793		
Unemployment Trust Fund					\$ 6,604	
Investment Trust Fund					374	
Board and Care	1,142					
Federal Grants	8,759	100,982	\$ 5,946			\$ 6,496
Local Grants	806	5,089				
Due From Cities and Towns		1,236				
Interest and Dividends						13,123
Contributions						18,014
Tuition						7,442
Miscellaneous	11,940	14,013	869			7,850
Total	\$ 69,352	\$ 130,901	\$ 6,815	\$ 5,905	\$ 6,978	\$ 52,925

Loans and Notes Receivable:

Primary Government: As of June 30, 1998 total water pollution control loans outstanding recorded in the Special Fund amounted to \$81.8 million and were offset by a corresponding amount of deferred revenue. The State Water Pollution Control Revolving Loan Fund ("State Revolving Fund"), established through RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The State Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. All loan agreements executed under the State Revolving Fund follow federal requirements and require approval from the Governor and Executive Council. Principal and interest repayments on the loans will occur over a period not to exceed 20 years and will be credited directly to the State Revolving Fund enabling the fund balance to be available in perpetuity.

Component Units: The component units balance of \$23.0 million is comprised of University System of New Hampshire Perkins Loans and other college and university loans of \$20.6 million and Business Finance Authority loan repurchase agreements of \$2.4 million.

Restricted Receivables:

Primary Government: The balance of \$0.5 million in the General Fund represents interest receivable on the Health Care Transition Fund.

Component Units: The \$16.3 million balance is made up of \$10.4 million of Pease Development Authority leases receivable, and \$5.9 million of Community Development Finance Authority pledges receivable.

5. FIXED ASSETS

The following is a summary of fixed assets by category at June 30, 1998 (expressed in thousands):

	<i>PRIMARY GOVERNMENT</i>		<i>COMPONENT UNITS</i>
	Enterprise Funds	General Fixed Assets Account Group	
Land and Land Improvements	\$ 87,367	\$ 118,261	\$ 9,003
Buildings and Building Improvements	16,931	350,496	552,742
Equipment	22,368	87,092	104,751
Construction in Progress	101,172	13,370	42,187
Infrastructure	378,181		
Sub Total	606,019	569,219	708,683
Less: Accumulated Depreciation	(126,250)		(298,060)
Total	\$ 479,769	\$ 569,219	\$ 410,623

General Fixed Assets Account Group:

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year (expressed in thousands):

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Land and Land Improvements	\$ 115,841	\$ 3,439	\$ 1,019	\$ 118,261
Buildings and Building Improvements	347,444	7,369	4,317	350,496
Construction in Progress	4,397	8,973		13,370
Equipment	79,238	14,145	6,291	87,092
Total	\$ 546,920	\$ 33,926	\$ 11,627	\$ 569,219

In accordance with Financial Accounting Standards Board Statement No. 62, interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In fiscal year 1998, net interest cost capitalized in the Turnpike System - Enterprise Fund amounted to \$4,247,449.

6. LONG-TERM DEBT**PRIMARY GOVERNMENT**

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$399.7 million at June 30, 1998. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Highway Fund	\$ 19,045
Capital Projects Fund	189,508
Turnpike System	191,100
Total	\$ 399,653

Turnpike System: The Legislature has established a 10 year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues such as toll receipts, and other income derived or to be derived by the State from the operation of the Turnpike System and all rights to receive the same, including grants, loans and other contributions from any governmental unit, investment earnings, and the proceeds of any borrowing or of any sale or disposition or insurance of any assets of the Turnpike System. This legislation also authorized the Governor and Executive Council to issue up to \$550 million of revenue bonds to support this project. The State has issued \$305 million of revenue bonds for this project.

Advance Refunding: The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements (expressed in thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 1998
Governmental Fund Type (General Obligation Bonds):	
December 19, 1996	\$ 39,875
April 15, 1993	52,960
September 1, 1992	28,000
Subtotal	120,835
Turnpike System (Revenue Bonds):	
January 20, 1994	27,000
August 1, 1992	79,065
Subtotal	106,065
Total	\$ 226,900

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities for bonds, compensated absences and uninsured claims as reported by the primary government during the fiscal year (expressed in thousands):

General Long-Term Debt Account Group	Balance July 1, 1997	Accretion	Increases	Decreases	Balance June 30, 1998
General Obligation Bonds	\$ 617,702	\$ 11,578	\$	\$ 51,003	\$ 578,277
Compensated Absences	52,094		1,218		53,312
Uninsured Claims	8,187		7,165	5,632	9,720
Total	\$ 677,983	\$ 11,578	\$ 8,383	\$ 56,635	\$ 641,309
Enterprise Funds					
General Obligation Bonds	\$ 43,651			\$ 4,403	\$ 39,248
Revenue Bonds	267,795			5,842	261,953
Total	\$ 311,446	\$ -0-	\$ -0-	\$ 10,245	\$ 301,201

Capital Appreciation Bonds: Six of the State's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually in the General Long-Term Debt Account Group. At June 30, 1998, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$62.8 million. The interest is not paid until the bonds mature at which time the expenditure will be recorded.

Debt Maturity: All bonds issued by the State, except for the \$305 million in Turnpike revenue bonds issues discussed earlier in this note, are general obligation bonds which are backed by the full faith and credit of the State. Interest rates on these issues range from 2.7% to 8.5%. Debt service payments on "self-liquidating" debt are funded by reimbursements from component units for debt issued by the State on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (expressed in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS						DEBT SERVICE		
	GOVERNMENTAL FUNDS				ENTERPRISE FUND		TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Sub Total	Turnpike System		Principal	Interest	Total
					General Obligation	Revenue			
1999	\$ 46,297	\$ 4,779	\$ 6,604	\$ 57,680	\$ 4,376	\$ 6,705	\$ 68,761	\$ 37,389	\$ 106,150
2000	46,492	2,861	5,887	55,240	4,342	5,060	64,642	34,865	99,507
2001	45,000	2,809	6,699	54,508	4,319	5,145	63,972	32,107	96,079
2002	40,747	2,697	6,131	49,575	4,029	7,680	61,284	29,960	91,244
2003	41,968	2,907	5,953	50,828	4,013	6,140	60,981	27,354	88,335
Thereafter	326,257	23,609	55,811	405,677	18,169	235,150	658,996	201,559	860,555
Subtotal	546,761	39,662	87,085	673,508	39,248	265,880	978,636	363,234	1,341,870
Unamortized Discount	(81,498)	(8,832)	(4,901)	(95,231)		(3,927)	(99,158)		(99,158)
Total	\$ 465,263	\$ 30,830	\$ 82,184	\$ 578,277	\$ 39,248	\$ 261,953	\$ 879,478	\$ 363,234	\$ 1,242,712

Turnpike System principal debt service includes general obligation principal debt service of \$39.2 million, serial revenue bond principal debt service of \$71.3 million and term revenue bond principal debt service of \$194.6 million. Actual principal paid to bond holders by the bond registrar is different from the above debt service schedule the State Treasurer is required to pay to the bond registrar because a portion of the Turnpike System revenue bonds is composed of term bonds versus serial bonds. For term bonds, the State Treasurer is required to pay the bond registrar the annual principal debt service, but the bond registrar is not required to pay principal to the bond holders until the single date of maturity.

COMPONENT UNITS

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities as reported by the component units during the fiscal year (expressed in thousands):

	Balance July 1, 1997	Increases	Decreases	Balance June 30, 1998
Business Finance Authority	\$ 22,829		\$ 489	\$ 22,340
Pease Development Authority	670		670	-0-
University System of NH	153,780	\$ 664	2,448	151,996
Total	\$ 177,279	\$ 664	\$ 3,607	\$ 174,336

The University System of New Hampshire's long-term liabilities include accrued employee benefits and compensated absences of \$53.8 million.

Debt Maturity: The following is a summary of the annual principal payments and total debt service relating to the long-term debt of the component units (expressed in thousands):

Payable June 30,	PRINCIPAL PAYMENTS		DEBT SERVICE		
	Business Finance Authority	University System of N.H.	Principal	Interest	Total
1998	\$ 800	\$ 2,052	\$ 2,852	\$ 7,574	\$ 10,426
1999	900	2,134	3,034	7,405	10,439
2000	1,000	2,238	3,238	7,223	10,461
2001	1,100	2,363	3,463	7,024	10,487
2002	1,300	2,494	3,794	6,807	10,601
Thereafter	17,400	89,952	107,352	73,840	181,192
Subtotal	22,500	101,233	123,733	109,873	233,606
Unamortized Discount	(160)	(3,040)	(3,200)		(3,200)
Total	\$ 22,340	\$ 98,193	\$ 120,533	\$ 109,873	\$ 230,406

7. INTERFUND RECEIVABLES AND PAYABLES

Due From/To Other Funds in the primary government consist of the following as of June 30, 1998 (expressed in thousands):

RECEIVABLE FUND	AMOUNT	PAYABLE FUND	AMOUNT
Special Fund.....	\$ 26,127	General Fund.....	\$ 26,127
General Fund.....	11,631	Sweepstakes Commission.....	2,505
		Liquor Commission.....	1,994
		Capital Fund.....	7,132
Trust and Agency Funds.....	193	General Fund.....	123
		Trust and Agency Funds.....	70
Total.....	\$ 37,951	Total.....	\$ 37,951

Due from Component Units: As of June 30, 1998, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$54.6 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund and Special Fund. The following is a summary of the more significant components of these loans:

On March 31, 1993, the Governor and Executive Council approved the issuance of \$29.9 million in State general obligation bonds, the proceeds of which were loaned to the Pease Development Authority (PDA) pursuant to RSA 12-G:27 and an executed loan agreement between the State and the PDA. The proceeds of the bond issue were used to finance the project costs of a facility constructed at Pease which is subleased currently to Alusuisse - Lonza Group (Lonza). As of June 30, 1998, the balance remaining on the loan agreement was \$27.1 million.

As of June 30, 1998, the State has loaned the PDA \$18.4 million in accordance with RSA 12-G:27,III and 12-G:27-C. The loan proceeds were used for the 1992 through 1998 PDA operating budgets pursuant to various

legislation and as matching funds for various federal grant programs. The repayment of these loans shall be made when due from available funds of the PDA in accordance with RSA 12-G:27,III and 12-G:27-C.

The State has issued general obligation bonds to finance certain capital projects for the University System of New Hampshire (University System). As of June 30, 1998, the outstanding balance of these bonds was \$11.3 million. The State is to be reimbursed for the debt service payments from the University System as the payments are due. This receivable is classified as "Due from Component Units" and "Deferred Revenue" in the State's General Fund for financial reporting purposes.

Due to Component Units: In accordance with the loan and trust agreements executed between the State, the PDA and Lonza, certain trust accounts have been established by the PDA with the State relative to the \$29.9 million loaned to the PDA. The assets of these trusts are recorded in the primary government's Fiduciary Fund Type with a corresponding liability, "Due to Component Units". As of June 30, 1998 the balance of these trust accounts amounted to \$604 thousand.

8. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employees Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters and police officers within the State of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is

divided into two membership groups. Group I consists of State and local employees and teachers. Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I - Members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

[Return to Table of Contents](#)

Group II - Members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Pursuant to RSA 100-A:50, the New Hampshire Retirement System also provides a postretirement medical premium subsidy to certain Group II members.

A Special Account has been established by RSA 100-A:16, II(h) for additional benefits. The Special Account is credited with all of the earnings of the Special Account assets plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus 1/2 of 1 percent.

The New Hampshire Retirement System issues a publicly available financial report that may be obtained by writing to them at 4 Chenell Drive, Concord, NH 03301-8509.

Funding Policy: The Plan is financed by contributions from the members, the State and local employers, and investment earnings. In fiscal year 1998, by statute, Group I members contributed 5.0% of gross earnings. Group II members contributed 9.3% of gross earnings. Contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the System's actuary using the open group aggregate funding method and are expressed as a percentage of gross payroll and paid by the employers. The State's share represents 100% of the employer cost for all state employees, and 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The State does not participate in funding the employer cost of other political subdivision employees.

The State's contributions to the plan for the years ending June 30, 1998, 1997 and 1996 were \$26.9 million, \$21.0 million and \$20.7 million, respectively, equal to the required contributions for each year.

HEALTH CARE INSURANCE FOR RETIRED EMPLOYEES

In addition to providing pension benefits, RSA 21-I:30 specifies that the State provides certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State and receive their pension on a periodic basis rather than a lump sum. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through an insurance company whose premiums are based on the benefits paid during the year. The State recognizes the cost of providing these benefits by paying the entire annual insurance premiums with minor contributions offset by members and a portion paid by the New Hampshire Retirement System's Group II medical premium subsidy. The State paid approximately \$18.2 million of annual insurance premiums for approximately 7,666 State retirees and covered dependents receiving a periodic pension benefit for the fiscal year ended June 30, 1998.

DEFERRED COMPENSATION PLAN

The State offers its employees a deferred compensation plan (the Plan) created in accordance with Internal Revenue Code Section 457. The Plan, available to all State employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Chapter 371 Laws of 1998 effective June 26, 1998, authorizes eligible employers to adopt resolutions establishing deferred compensation plans and further establishing trusts to receive all assets of these plans for the exclusive benefit of employee and retiree participants and their beneficiaries as required by section 457(g) of the Internal Revenue Code. On September 10, 1998, the State of New Hampshire Deferred Compensation Commission adopted this resolution. Since the Plan was amended after June 30, 1998, the State of New Hampshire will not implement GASB Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" until Fiscal Year 1999.

The assets of the Plan, which are primarily invested in fixed and variable rate annuity contracts with insurance companies, totaled \$118.1 million at June 30, 1998.

COMPONENT UNITS

Eligible employees of the Pease Development Authority and the New Hampshire Retirement System participate in the PERS and additional disclosure about their participation is available in their audited financial statements. Employees of the New Hampshire Community Development Finance Authority, the Business Finance Authority, and the University System of New Hampshire are not members of the New Hampshire Retirement System, but participate in their own defined contribution plan.

9. LEASE COMMITMENTS

The State has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 1998 were approximately \$10.2 million. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 1998 (expressed in thousands):

Payable June 30,	Amount
1999	\$ 8,336
2000	5,397
2001	4,216
2002	3,452
2003	2,115
Thereafter	5,975
Total	<u>\$ 29,491</u>

10. UNDESIGNATED FUND BALANCE

Highway Fund: The Highway Fund unreserved, undesignated deficit was \$20.9 million as of June 30, 1998. The deficit exists primarily due to certain Highway Fund infrastructure projects which will be funded by future bond issues. Bonds authorized and unissued for the Highway Fund amounted to \$19.0 million at June 30, 1998.

Capital Projects Fund: The June 30, 1998, unreserved, undesignated deficit of the Capital Projects Fund is \$190.0 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected to be incurred. As of June 30, 1998, bonds authorized and unissued for the Capital Projects Fund amounted to \$189.5 million.

11. CONTRIBUTED CAPITAL

The State records the costs associated with projects of the Turnpike System, where the federal government or other non-Turnpike System sources have provided funding, as an increase in fixed assets (e.g. land, construction in progress and infrastructure) and as contributed capital under fund equity on the Turnpike System balance sheet. In accordance with GAAP, the depreciation of the costs of such projects are charged to contributed capital.

The following schedule shows the change in contributed capital during fiscal year 1998 (expressed in thousands):

Net Contributed Capital at July 1, 1997, Restated ..	\$ 36,265
Activity during Fiscal Year 1998:	
Federal Government	908
Highway Fund	218
Less: Depreciation	<u>(807)</u>
Net Contributed Capital at June 30, 1998	<u>\$ 36,584</u>

During fiscal year 1998, the Turnpike System restated the prior years contributed capital balance because the Piscataqua bridge was determined to be part of the New Hampshire Highway System and not part of the Turnpike System as previously reported. The net effect of this retroactive adjustment resulted in contributed capital being reduced by \$13.5 million.

12. RISK MANAGEMENT AND INSURANCE

The State is exposed to various risk of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The State primarily retains the risk for losses except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. There are approximately 30 such commercial insurance programs in effect which include fleet automobile liability, ski area liability for the two state owned and operated ski areas and faithful performance position schedule bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years. Claim liabilities not covered by commercial insurance are recorded when it is probable that a

loss has occurred and the amount of that loss can be reasonably estimated.

At June 30, 1998, the amount of liabilities not covered by commercial insurance was approximately \$12.0 million related to worker's compensation claims. This liability is the State's best estimate based on available information. In the governmental funds, the total liability is approximately \$10.6 million. Of this liability, \$0.9 million has been determined to be payable with expendable available financial resources and recorded as a current liability in the governmental funds. The remaining \$9.7 million long-term liability has been recorded in the General Long-Term Debt Account Group. The total liability recorded to the enterprise funds amounted to \$1.4 million as of June 30, 1998.

The following table presents the changes in claims liabilities balances (short- and long-term combined) during fiscal years ending June 30, 1997, and June 30, 1998:

Changes in Claims Liabilities (expressed in thousands)				
Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
1997	\$ 9,997	\$ 7,004	\$ 6,584	\$ 10,417
1998	10,417	7,873	6,302	11,988

13. SELECTED FINANCIAL INFORMATION**PRIMARY GOVERNMENT - SEGMENT INFORMATION**

Enterprise Funds' segment information for the year ended June 30, 1998 is presented below (expressed in thousands):

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
Balance Sheet:				
Net Fixed Assets Additions	\$ 28,055	\$ 883	\$ 119	\$ 29,057
Net Working Capital	7,014	2,378	(15)	9,377
Total Assets	518,844	38,103	9,199	566,146
Long-Term Liabilities	291,764	2,378	303	294,445
Total Fund Equity	207,974	12,475		220,449
Statement of Revenues, Expenses and Changes in Retained Earnings:				
Operating Revenues	\$ 54,417	\$ 251,952	\$ 186,008	\$ 492,377
Cost of Sales and Services		180,958	109,963	290,921
Depreciation	8,905	815	91	9,811
Operating Income	24,501	50,058	56,446	131,005
Net Operating Interfund Transfers Out		66,824	57,505	124,329
Beer Tax Revenue		11,197		11,197
Net Income	13,348			13,348

COMPONENT UNITS - CONDENSED FINANCIAL INFORMATION

Component Units' condensed financial information for the year ended June 30, 1998 is presented below (expressed in thousands):

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	New Hampshire Retirement System	University System of New Hampshire	Totals
Condensed Balance Sheet:						
Current Assets	\$ 3,658	\$ 2,401	\$ 7,291	\$ 520,518	\$ 83,762	\$ 617,630
Amount Due from Primary Government Property, Plant and Equipment, Net ...	2,529	35	54,269		353,790	410,623
Total Assets	31,770	14,773	73,709	4,375,506	639,645	5,135,403
Current Liabilities	2,949	10,160	3,896	461,380	41,029	519,414
Amount Due to Primary Government ..			54,624		11,347	65,971
Long-Term Liabilities	23,622	2,540	1,926	108,704	151,996	288,788
Total Liabilities	26,571	12,700	60,446	570,084	204,372	874,173
Total Fund Equity ⁽¹⁾	5,199	2,073	13,263	3,805,422	435,273	4,261,230
Condensed Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance:⁽²⁾						
Operating Revenues	\$ 2,185	\$ 1,004	\$ 8,365			\$ 11,554
Operating Expenses	692	701	10,161			11,554
Depreciation	135	8	2,410			2,553
Operating Income (Loss)	1,493	303	(1,796)			-0-
Net Income (Loss)	74	303	(1,796)			(1,419)
Current Contributed Capital			2,214			2,214

⁽¹⁾ Total fund equity of the New Hampshire Retirement System is comprised of the following reserved account balances: Reserved for Pension Benefits of \$3,672,633 and Reserved for Post Retirement Medicaid Benefits of \$132,789.

⁽²⁾ The general purpose financial statements includes a separate Combined Statement of Changes in Fund Balances and Combined Statement of Current Funds Revenues, Expenditures and Other Changes for the University System of New Hampshire and a separate Combined Statement of Changes in Plan Net Assets for the New Hampshire Retirement System.

14. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Bonds and First Mortgages: The State of New Hampshire is contingently liable within statutory legal limits for bonds sold by municipalities, school districts and for first mortgages on industrial and recreational property which contain the guarantee of the State of New Hampshire. The following table shows the composition of the State's \$338.2 million of contingent liabilities and the statutory limits as of June 30, 1998 (expressed in thousands):

	Principal	Interest	Total
N.H. Water Supply and Pollution Control Commission, RSA 485-A:7 (Legal Limit \$250.0 million - principal and interest)	\$ 102,036	\$ 37,447	\$ 139,483
Business Finance Authority, RSA 162-A:22 - Economic Development (Legal Limit \$95.0 million - principal only)	32,984	19,568	52,552
N.H. School Building Authority, RSA 195-C:2 (Legal Limit \$75.0 million - principal and interest)	47,005	17,330	64,335
Business Finance Authority, Ch 265, Laws of 1989 and Ch 8, Laws of 1992 and Ch 257, Laws of 1996 - Airport (Legal Limit \$42.7 million - principal only)	40,165	39,771	79,936
Landfill Closures/Hazardous Waste Sites Cleanup, RSA 149-M:31 (Legal Limit \$30.0 million - principal and interest)	1,375	479	1,854
Total	\$ 223,565	\$ 114,595	\$ 338,160

The State of New Hampshire has a limited liability for the New Hampshire Housing Finance Authority and the New Hampshire Municipal Bond Bank. Both entities are required to maintain a bond reserve fund. A request for an appropriation may be submitted to the Legislature for a sum required to maintain the bond reserve fund at the established bond reserve fund requirements. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the State and no such appropriations have ever been requested.

Effective June 1, 1990, RSA 12-G:14 authorized the Pease Development Authority (PDA) to issue bonds for the development of the Pease Air Force Base. Per RSA 12-G:27, the Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50.0 million, plus interest. As of June 30, 1998, the State has issued \$37.6 million in general obligation bonds on behalf of PDA in lieu of a state guarantee in accordance with RSA 12-G:27 III. The general obligation debt issued on behalf of PDA reduced the legal limit of \$50.0 million on debt guaranteed by the State to \$12.4 million at June 30, 1998.

Effective June 8, 1994, RSA 12-G:27b (Chapter 339, Laws of 1994) authorized the Pease Development Authority (PDA) to issue bonds for the development of the former Pease Air Force Base subject to the approval by the Legislative Fiscal Committee of the comprehensive development plan prepared by the PDA. The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$60.0 million, plus interest.

Effective May 18, 1992, RSA 33:3 (Chapter 275, Laws of 1992) authorized state municipalities to issue Superfund Site Cleanup Bonds in order to pay all response costs associated with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50.0 million, and interest.

Federal Grants: The State receives federal grants which are subject to review and audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from the audit may become the liability of the State. The State estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

COMPONENT UNITS

The Community Development Finance Authority records liabilities payable from restricted assets of \$10.1 million. These liabilities relate to economic development projects for which pledges have been received by the authority. There is no guarantee that these projects will begin or be completed. In the event the project does not utilize the funding donated on its behalf, the funds are to be returned to the donor or the State, at the discretion of the donor.

15. LITIGATION

Claremont School District, et. al. v. Governor, et. al.

In June 1991 an action was commenced against the State by five school districts who challenged the constitutionality of the State's statutory system of financing the operation of elementary and secondary public schools primarily through local property taxes. On December 17, 1997, the New Hampshire Supreme Court, ruled in favor of the plaintiffs and found that property taxes in support of education are State taxes and that such taxes must be proportional and reasonable throughout the State, and that the current system fails to meet this standard. The Supreme Court further held that a constitutionally adequate public education is a fundamental right, and that the legislative and executive branches must develop and adopt specific criteria implementing appropriate guidelines for such an education. The Supreme Court stayed all proceedings in the case until the end of the 1998 legislative session and further court order, and held that the present education funding mechanism may remain in effect through the 1998 tax year (April 1, 1999). The Governor and the Legislature have since been working diligently in response to the Court's decision. A plan which would have established and implemented new guidelines for a constitutionally adequate public education and which would have restructured the funding of such an education was proposed by the Governor, passed by the House, and sent by the Senate to the Court for review. The Court found the legislation's education plan commendable but its funding plan unconstitutional.

On November 25, 1998, the Supreme Court denied, based on the pleadings before it, the State's motion to extend the effective date by two years to April 1, 2001.

Given the range of possible outcomes of action by the legislative and executive branches and of further actions by the Supreme Court, the potential financial impact of this litigation cannot be predicted at this time.

Smith, et al. v. Department of Revenue Administration

A consolidated action is pending against the New Hampshire Department of Revenue Administration in which taxpayers are challenging the constitutionality, under both the State and Federal Constitutions, of the interest and dividends tax law in effect from 1989 through June 30, 1994. On April 3, 1997 the New Hampshire Supreme Court ruled on several questions transferred to it by the Superior Court, relating primarily to the former exemptions in the law for interest paid by New Hampshire depository institutions and stock dividends paid by such institutions. (These exemptions were eliminated by statutory amendments effective January 1, 1995.) The State Supreme Court rejected the petitioners' argument that the classification of bank interest and stock bank dividends violated the State Constitution; it acknowledged the State's concession, however, that the commerce clause of the United States Constitution was violated by the challenged exemptions and remanded the case to the trial court to determine the scope of the violation and an appropriate remedy.

The petitioners contend that the scope of the discrimination covers nearly all other investments paying interest or dividends. If the petitioners' contention were to prevail, the State's potential exposure to refunds or other remedies in this case and all related matters, based upon timely claims for refunds filed with the State, would be approximately \$98.3 million, plus interest. The State contends that the scope of the commerce clause violation is limited to taxes attributable to interest and dividends received solely from out-of-state banks. In this event, the State's potential exposure is estimated to be approximately \$3 million, plus interest. In addition to determining the appropriate remedy, the trial court will also address the constitutionality of the tax exemption under the same law for interest on State and local municipal debt obligations. There is a range of possible remedies to be considered by the trial court, and while it is not yet possible to predict the outcome of the case, the outcome is unlikely to materially affect the financial position of the State.

The State, its agencies and employees are defendants in numerous other lawsuits involving such matters as funding for social welfare programs, contract claims, negligence and civil actions under U.S. Public Health and Welfare Laws (Title 42, Chapter 21, Section 1983). Although the Attorney General is unable to predict the ultimate outcome of the majority of these suits, which seek approximately \$50 million, in the opinion of the Attorney General and the Commissioner of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgements against the State which would materially affect its financial position is remote. Accordingly, no provision for such ultimate liability, if any, has been made in the financial statements.

16. YEAR 2000 - (Unaudited)

The State is currently addressing Year 2000 data processing compliance issues. The Year 2000 issue is a result of computer programs being written using two digits rather than four to define the applicable year. Any of the State's computer programs that have date-sensitive software may recognize a date using 00 as the year 1900 rather than the year 2000.

Chapter 255, NH Laws of 1998, states that the management of each agency is responsible for assessing its year 2000 preparedness and bringing its essential systems into Year 2000 compliance. In September 1998, agencies filed required work plans with the Division of Information Technology Management (DITM). The plans include identification of the project phase completed and the required steps within each phase towards compliance.

On October 1, 1998 the Commissioner of Administrative Services issued the Year 2000 Quarterly Report tracking the State's Year 2000 readiness. This self-assessment by state agencies covered the period of August 15, 1998 through September 25, 1998. Agencies reported 313 business functions which rely on critical computer systems. Twenty-one percent of the critical systems were reported to be Year

2000 compliant. The remaining systems are in the following stages:

- awareness (establish budget/project plan) - 2%,
- assessment (identify systems/components) - 10%,
- remediation (changes to systems/equipment) - 49%,
- validation/testing (validates/tests the changes) - 18%.

The Commissioner shall continue to monitor and require quarterly reports from agencies who have not reached full compliance. The State has committed an additional \$18.8 million for their Year 2000 projects.

The University System of New Hampshire, the New Hampshire Retirement System and Pease Development Authority, component units of the State, have reported on Year 2000 readiness in their annual reports issued August 1998, November 1998 and September 1998, respectively. They have all completed the assessment and awareness stages and their various systems are in a combination of remediation, validation/testing and completion stages.

While the State is committed to addressing Year 2000 compliance, there can be no guarantee that all systems will be compliant and that there would not be an adverse impact upon State operations as a result.

17. SUBSEQUENT EVENT

On November 19, 1998, the New Hampshire Attorney General joined in a settlement agreement relative to the State's lawsuit against all major producers of cigarettes and smokeless tobacco, as well as industry trade associations. The settlement, which has been agreed to by the forty six states participating in the suit, as well as the defendant companies involved, still requires ratification by the courts in each state. If the settlement becomes final it is anticipated that the State will receive an initial payment (approximately \$15.9 million) in fiscal year 1999, with future payments estimated to be in excess of \$40 million per year in perpetuity beginning in calendar year 2000.

This
Page
Intentionally
Left
Blank

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**SCHEDULE OF EXPENDITURES AT THE LEGAL LEVEL OF CONTROL - BUDGET AND ACTUAL
BUDGETARY BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Budget	Actual	Variance
GENERAL GOVERNMENT			
Legislative Branch	\$ 9,803	\$ 9,249	\$ 554
Executive	2,665	2,375	290
Administrative Services	39,540	37,362	2,178
Secretary of State	2,824	2,446	378
Cultural Affairs	3,059	2,995	64
Revenue Administration	10,018	9,089	929
State Treasury	124,700	123,526	1,174
Board of Tax and Land Appeals	664	625	39
NH Retirement System	30,039	29,242	797
Pease Development Authority	6,823	3,004	3,819
Total	230,135	219,913	10,222
JUSTICE AND PUBLIC PROTECTION			
Supreme Court	48,221	48,221	
Adjutant General	3,447	3,020	427
Agriculture	2,163	2,063	100
Justice Department	10,467	10,072	395
Bank Commission	1,926	1,587	339
Emergency Management	4,521	3,673	848
Pari-Mutuel Commission	1,935	1,744	191
Highway Safety	361	357	4
Insurance	3,865	3,386	479
Labor	4,532	3,634	898
Public Utilities Commission	5,586	4,877	709
Safety	54,651	50,977	3,674
Corrections	55,058	51,770	3,288
Judicial Council	13,324	12,879	445
Human Rights Commission	512	474	38
Other Boards and Commissions	1,467	1,344	123
Total	212,036	200,078	11,958
RESOURCE PROTECTION AND DEVELOPMENT			
Business Finance Authority	532	128	404
Resource and Economic Development	10,574	10,100	474
Environmental Services	39,099	34,835	4,264
Total	50,205	45,063	5,142
TRANSPORTATION			
Transportation	10,265	6,572	3,693
NH Port Authority	645	609	36
Total	10,910	7,181	3,729
HEALTH AND SOCIAL SERVICES			
Health and Human Services Commissioner	16,711	16,228	483
Office of Health Management	28,917	24,838	4,079
Children and Youth	69,584	66,962	2,622
Behavioral Health	71,247	70,886	361
Developmental Services	107,231	107,231	
New Hampshire Hospital	39,909	38,845	1,064
Home for Elderly	7,097	7,079	18
New Hampshire Veterans Home	6,723	6,516	207
Veterans Council	272	262	10
Youth Development Services	13,424	12,240	1,184
Elderly and Adult Services	739	618	121
Other Boards and Commissions	2,727	2,246	481
Total	364,581	353,951	10,630
EDUCATION			
Post Secondary Education Commission	3,515	3,490	25
Department of Education	126,074	125,699	375
Post Secondary Technical Education	51,390	45,328	6,062
Police Standards and Training Council	2,693	2,518	175
University of New Hampshire	67,780	67,780	
Total	251,452	244,815	6,637
Total Expenditures	\$ 1,119,319	\$ 1,071,001	\$ 48,318

SPECIAL REVENUE FUNDS

Highway Fund: Under the State Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the State from motor vehicle registration fees, operators' licenses, gasoline road toll or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction and maintenance of public highways within this State, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid received by the State for highway purposes are credited to the Highway Fund. While the principal and interest on State highway bonds is charged to the Highway Fund, the assets of this fund are not pledged to such bonds.

Fish and Game Fund: The operations of the State Fish and Game Department, including the operation of fish hatcheries, inland and marine fisheries and wildlife areas, and functions related to law enforcement, land acquisition, and wildlife management and research, are financed through the Fish and Game Fund. Principal revenues of this fund include fees from fish and game licenses, the marine gas tax, penalties and recoveries, and federal grants-in-aid related to fish and game management, all of which is appropriated annually by the Legislature for the use of the Fish and Game Department.

Special Fund: The State allocates to the Special Fund expenditures and revenues of programs which, by statute, operate primarily from specific program revenues or from federal grants-in-aid, including the State social services programs, education assistance programs and the administrative expenses of the Department of Employment Security.

**COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1998
(Expressed in Thousands)**

	Highway Fund	Fish and Game Fund	Special Fund	Totals
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 117,044	\$ 7,540	\$ 51,089	\$ 175,673
Receivables (Net of Allowances for Uncollectibles)	25,772	1,279	103,850	130,901
Due from Other Funds			26,127	26,127
Due from Component Units			5,898	5,898
Inventories	4,387	761	8,388	13,536
Loans Receivable			81,799	81,799
Total Assets	\$ 147,203	\$ 9,580	\$ 277,151	\$ 433,934
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
Accounts Payable	\$ 14,493	\$ 378	\$ 78,441	\$ 93,312
Accrued Payroll	3,829	484	5,025	9,338
Deferred Revenue	3,650		128,541	132,191
Total Liabilities	21,972	862	212,007	234,841
FUND EQUITY:				
Reserved for Encumbrances	121,278	368	48,749	170,395
Reserved for Inventories	4,387	761		5,148
Reserved for Unexpended Appropriations	20,503	3,697	16,395	40,595
Unreserved, Undesignated (Deficit)	(20,937)	3,892		(17,045)
Total Fund Equity	125,231	8,718	65,144	199,093
Total Liabilities and Fund Equity	\$ 147,203	\$ 9,580	\$ 277,151	\$ 433,934

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

	Highway Fund	Fish and Game Fund	Special Fund	Totals
REVENUES:				
Special Taxes			\$ 52,535	\$ 52,535
Business License Taxes	\$ 127,788		1,436	129,224
Non-Business License Taxes	49,481	\$ 6,653		56,134
Fees	14,961	1,041	12,040	28,042
Fines, Penalties and Interest	581	105	1,047	1,733
Grants from Federal Government	94,716	3,465	590,554	688,735
Grants from Private and Local Sources	8,854	254	88,232	97,340
Interest, Premiums and Discounts	5,569	355	4,661	10,585
Sale of Commodities	96	328	8,019	8,443
Sale of Services	5,447		1,058	6,505
Assessments	480		2,157	2,637
Grants from Other Agencies	632	895	4,123	5,650
Miscellaneous	1,847		10,904	12,751
Total Revenues	310,452	13,096	776,766	1,100,314
EXPENDITURES:				
Current:				
General Government			26,831	26,831
Administration of Justice and Public Protection	2,454		38,439	40,893
Resource Protection and Development		11,233	54,190	65,423
Transportation	184,621		105	184,726
Health and Social Services			759,739	759,739
Education			90,547	90,547
Debt Service	5,430	87	1,321	6,838
Capital Outlay	114,085	845	6,649	121,579
Total Expenditures	306,590	12,165	977,821	1,296,576
Excess (Deficiency) of Revenues Over Expenditures	3,862	931	(201,055)	(196,262)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In		753	221,383	222,136
Operating Transfers Out	(1,505)		(885)	(2,390)
Total Other Financing Sources (Uses)	(1,505)	753	220,498	219,746
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	2,357	1,684	19,443	23,484
Fund Balances - July 1	122,874	7,034	45,701	175,609
Fund Balances - June 30	\$ 125,231	\$ 8,718	\$ 65,144	\$ 199,093

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AT THE LEGAL LEVEL OF CONTROL AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Highway			Fish and Game	
	Budget	Actual	Variance	Budget	Actual
REVENUES:					
Special Taxes					
Business License Taxes	\$ 124,891	\$ 127,788	\$ 2,897		
Non-Business License Taxes	48,900	49,481	581	\$ 6,414	\$ 6,654
Fees	14,615	14,961	346	892	1,041
Fines, Penalties and Interest	900	581	(319)	113	105
Grants from Federal Government	104,507	98,770	(5,737)	3,559	2,929
Grants from Private and Local Sources	7,132	10,188	3,056	139	211
Rents and Leases					
Interest, Premiums and Discounts	4,500	5,569	1,069	398	355
Sale of Commodities	95	96	1	172	328
Sale of Services	20,160	15,872	(4,288)		
Assessments	388	480	92		
Grants from Other Agencies	655	631	(24)	471	464
Miscellaneous	953	7,369	6,416	1,903	2,579
Total Revenues	327,696	331,786	4,090	14,061	14,666
EXPENDITURES:					
General Government					
Executive					
Administrative Services					
Cultural Affairs					
Total					
Administration of Justice and Public Protection					
Adjutant General					
Agriculture					
Justice Department					
Emergency Management					
Highway Safety					
Safety	2,606	2,606			
Corrections Department					
Employment Security					
Total	2,606	2,606			
Resource Protection and Development					
Fish and Game Commission				15,363	13,763
Resource and Economic Development					
Environmental Services					
Total				15,363	13,763
Transportation					
Transportation	341,201	334,920	6,281		
Health and Social Services					
Health and Human Services Commissioner ...					
Office of Health Management					
Children and Youth					
Transitional Assistance					
Behavioral Health					
Developmental Services					
NH Hospital					
Youth Development Services					
Elderly and Adult Services					
Total					

Special				TOTALS		
Variance	Budget	Actual	Variance	Budget	Actual	Variance
	\$ 52,535	\$ 52,535		\$ 52,535	\$ 52,535	
	2,017	1,436	\$ (581)	126,908	129,224	\$ 2,316
\$ 240				55,314	56,135	821
149	24,972	13,428	(11,544)	40,479	29,430	(11,049)
(8)	2,221	(157)	(2,378)	3,234	529	(2,705)
(630)	665,401	580,570	(84,831)	773,467	682,269	(91,198)
72	105,206	123,761	18,555	112,477	134,160	21,683
	33	37	4	33	37	4
(43)	4,091	4,935	844	8,989	10,859	1,870
156	5,722	8,090	2,368	5,989	8,514	2,525
	352	1,069	717	20,512	16,941	(3,571)
	2,515	2,171	(344)	2,903	2,651	(252)
(7)	6,702	5,889	(813)	7,828	6,984	(844)
676	13,341	11,682	(1,659)	16,197	21,630	5,433
605	885,108	805,446	(79,662)	1,226,865	1,151,898	(74,967)
	30,302	22,196	8,106	30,302	22,196	8,106
	1,040	692	348	1,040	692	348
	1,741	1,366	375	1,741	1,366	375
	33,083	24,254	8,829	33,083	24,254	8,829
	3,502	3,290	212	3,502	3,290	212
	299	226	73	299	226	73
	5,529	5,388	141	5,529	5,388	141
	7,425	7,328	97	7,425	7,328	97
	1,315	885	430	1,315	885	430
	1,686	631	1,055	4,292	3,237	1,055
	34	31	3	34	31	3
	28,722	21,744	6,978	28,722	21,744	6,978
	48,512	39,523	8,989	51,118	42,129	8,989
1,600				15,363	13,763	1,600
	16,281	15,429	852	16,281	15,429	852
	83,935	42,130	41,805	83,935	42,130	41,805
1,600	100,216	57,559	42,657	115,579	71,322	44,257
				341,201	334,920	6,281
	191,743	190,976	767	191,743	190,976	767
	219,296	214,413	4,883	219,296	214,413	4,883
	21,987	19,880	2,107	21,987	19,880	2,107
	67,105	55,581	11,524	67,105	55,581	11,524
	22,640	19,476	3,164	22,640	19,476	3,164
	13,334	12,198	1,136	13,334	12,198	1,136
	2,912	2,854	58	2,912	2,854	58
	265	133	132	265	133	132
	271,038	252,307	18,731	271,038	252,307	18,731
	810,320	767,818	42,502	810,320	767,818	42,502

Continued...

[Return to Table of Contents](#)

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AT THE LEGAL LEVEL OF CONTROL AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998 (CONTINUED)**
(Expressed in Thousands)

	Highway			Fish and Game	
	Budget	Actual	Variance	Budget	Actual
Education					
Post Secondary Education Commission					
Department of Education					
Police Standards and Training Council					
Total					
Total Expenditures	\$ 343,807	\$ 337,526	\$ 6,281	\$ 15,363	\$ 13,763
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,111)	(5,740)	10,371	(1,302)	903
OTHER FINANCING SOURCES (USES):					
Operating Transfers In				753	753
Operating Transfers Out	(1,505)	(1,505)			
Total Other Financing Sources (Uses)	(1,505)	(1,505)		753	753
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(17,616)	\$ (7,245)	\$ 10,371	(549)	\$ 1,656
Other Budget Items:					
Transfers from Available Funds	9,517			249	
Budget Lapses	8,099			300	
Net Budget	\$ -0-			\$ -0-	

Variance	Special			TOTALS		
	Budget	Actual	Variance	Budget	Actual	Variance
	\$ 9,630	\$ 9,630		\$ 9,630	\$ 9,630	
	110,914	81,256	\$ 29,658	110,914	81,256	\$ 29,658
	113	108	5	113	108	5
	120,657	90,994	29,663	120,657	90,994	29,663
\$ 1,600	1,112,788	980,148	132,640	1,471,958	1,331,437	140,521
2,205	(227,680)	(174,702)	52,978	(245,093)	(179,539)	65,554
	224,462	224,462		225,215	225,215	
	(885)	(885)		(2,390)	(2,390)	
	223,577	223,577		222,825	222,825	
\$ 2,205	(4,103)	\$ 48,875	\$ 52,978	(22,268)	\$ 43,286	\$ 65,554
	1,903			11,669		
	2,200			10,599		
	\$ -0-			\$ -0-		

This
Page
Intentionally
Left
Blank

ENTERPRISE FUNDS

Turnpike System: *The State constructs, maintains and operates transportation toll facilities. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. These include a partial circumferential highway around the City of Nashua and other projects which will provide major improvements to the Central Turnpike from Bedford to Nashua and include new interchanges, widening and a toll plaza construction. Additional projects are planned which will provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity.*

Liquor Commission: *Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the State must be sold through a sales and distribution system operated by the State Liquor Commission, comprised of three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates State liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses and other merchandising facilities for liquor sales, to supervise the construction of State owned liquor stores at various locations in the State, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers plus an additional fee on beverages sold by such retailers at the rate of 30 cents per gallon.*

Sweepstakes Commission: *The State sells lottery games through some 1,350 agents including state liquor stores, licensed racetracks and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net revenue used for aid to education. This net revenue is transferred to the Department of Education in the General Fund and then transferred to the local school districts.*

COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1998
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 14,512	\$ 2,501	\$ 6,481	\$ 23,494
Receivables (Net of Allowances for Uncollectibles)	1,281	2,943	1,681	5,905
Inventories		20,184	716	20,900
Other Assets			3	3
Total Current Assets	15,793	25,628	8,881	50,302
Restricted Assets:				
Cash and Cash Equivalents	887			887
Investments	32,405			32,405
Total Restricted Assets	33,292			33,292
Deferred Charges	2,783			2,783
Fixed Assets:				
Land	84,687	2,055		86,742
Land Improvements		625		625
Buildings	2,691	13,037		15,728
Building Improvements		1,203		1,203
Equipment	14,009	7,568	791	22,368
Construction in Progress	101,172			101,172
Infrastructure	378,181			378,181
Less: Allowance for Depreciation and Amortization	(113,764)	(12,013)	(473)	(126,250)
Net Fixed Assets	466,976	12,475	318	479,769
Total Assets	\$ 518,844	\$ 38,103	\$ 9,199	\$ 566,146
LIABILITIES AND FUND EQUITY				
Current Liabilities:				
Accounts Payable	\$ 3,480	\$ 18,617	\$ 536	\$ 22,633
Accrued Payroll	543	962	124	1,629
Due to Other Funds		1,994	2,505	4,499
Deferred Revenue	161	1,677	1,092	2,930
Unclaimed Prizes			4,639	4,639
Other Liabilities	219			219
General Obligation Bonds Payable - Current	4,376			4,376
Total Current Liabilities	8,779	23,250	8,896	40,925
Current Liabilities Payable from Restricted Assets:				
Revenue Bonds Payable	6,705			6,705
Accrued Interest Payable	3,622			3,622
Total Current Liabilities Payable from Restricted Assets ..	10,327			10,327
Noncurrent Liabilities:				
General Obligation Bonds Payable	34,872			34,872
Revenue Bonds Payable (Net of Unamortized Discount)	255,248			255,248
Compensated Absences and Accrued Employee Benefits	1,644	2,378	303	4,325
Total Noncurrent Liabilities	291,764	2,378	303	294,445
Total Liabilities	310,870	25,628	9,199	345,697
Fund Equity:				
Contributions from Other Funds		12,475		12,475
Contributed Capital (Net of Amortization)	36,584			36,584
Retained Earnings	171,390			171,390
Total Fund Equity	207,974	12,475		220,449
Total Liabilities and Fund Equity	\$ 518,844	\$ 38,103	\$ 9,199	\$ 566,146

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
OPERATING REVENUES:				
Charges for Sales and Services.....	\$ 54,417	\$ 251,952	\$ 186,008	\$ 492,377
OPERATING EXPENSES:				
Cost of Sales and Services.....		180,958	109,963	290,921
Personnel Services.....	6,992	12,256	1,658	20,906
Supplies and Materials.....	747	350	17	1,114
Communication Services.....	39	230	171	440
Travel.....	20	99	47	166
Printing and Binding.....		144	1,270	1,414
Advertising.....	2	742	1,669	2,413
Commissions.....			13,252	13,252
Heat, Light and Power.....	1,005	632		1,637
Rent.....	151	1,289	316	1,756
Repairs.....	4,985	588		5,573
Payroll Benefits.....	2,218	2,830	630	5,678
Indirect Costs.....	854	223	29	1,106
Enforcement.....	3,088		263	3,351
Miscellaneous.....	910	738	186	1,834
Depreciation.....	8,905	815	91	9,811
Total Operating Expenses.....	29,916	201,894	129,562	361,372
Operating Income.....	24,501	50,058	56,446	131,005
NONOPERATING REVENUES (EXPENSES):				
Licenses.....		3,021		3,021
Beer Taxes.....		11,197		11,197
Interest Revenue.....	3,052		1,059	4,111
Miscellaneous.....	(337)	2,548		2,211
Interest on Bonds.....	(13,645)			(13,645)
Amortization of Bond Issuance Costs.....	(223)			(223)
Total Nonoperating Revenues (Expenses).....	(11,153)	16,766	1,059	6,672
Income Before Operating Transfers.....	13,348	66,824	57,505	137,677
Operating Transfers:				
To General Fund.....		(66,824)	(57,505)	(124,329)
Net Income.....	13,348	-0-	-0-	13,348
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital.....	807			807
Increase in Retained Earnings.....	14,155	-0-	-0-	14,155
Retained Earnings - July 1.....	157,235	-0-	-0-	157,235
Retained Earnings - June 30.....	\$ 171,390	\$ -0-	\$ -0-	\$ 171,390

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
Cash Flows from Operating Activities:				
Operating Income	\$ 24,501	\$ 50,058	\$ 56,446	\$ 131,005
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	9,128	815	91	10,034
Change in Operating Assets and Liabilities:				
(Increase)Decrease in Receivables	273	(446)	(448)	(621)
(Increase) in Inventories		(3,533)	(157)	(3,690)
Increase in Accounts Payable and Other Accruals	585	3,457	234	4,276
Increase (Decrease) in Deferred Revenue		40	(124)	(84)
Contributions from Other Funds		68		68
Net Cash Provided by Operating Activities	34,487	50,459	56,042	140,988
Cash Flows from Noncapital Financing Activities:				
Transfers to Other Funds		(65,266)	(60,859)	(126,125)
Proceeds from Collection of Licenses and Beer Tax		14,218		14,218
Net Cash Used for Noncapital Financing Activities		(51,048)	(60,859)	(111,907)
Cash Flows from Capital and Related Financing Activities:				
Acquisition, Disposal and Construction of Capital Assets	(28,055)	(883)	(119)	(29,057)
Increase in Contributed Capital	1,126			1,126
Interest Paid on Revenue and General Obligation Bonds	(18,131)			(18,131)
Principal Paid on Revenue and General Obligation Bonds	(10,403)			(10,403)
Net Cash Used for Capital and Related Financing Activities	(55,463)	(883)	(119)	(56,465)
Cash Flows from Investing Activities:				
Purchase of Investments	(17,397)			(17,397)
Proceeds from Maturities of Investments	17,353			17,353
Interest and Other Income	3,155	2,548	1,059	6,762
Net Cash Provided by Investing Activities	3,111	2,548	1,059	6,718
Net Increase (Decrease) in Cash and Cash Equivalents	(17,865)	1,076	(3,877)	(20,666)
Cash and Cash Equivalents - July 1	33,264	1,425	10,358	45,047
Cash and Cash Equivalents - June 30	\$ 15,399	\$ 2,501	\$ 6,481	\$ 24,381

TRUST AND AGENCY FUNDS

Expendable Trusts: An expendable trust is created when both the principal and the earnings of the fund can be expended to achieve the objectives of the fund. The State's Unemployment Compensation Trust Fund is the major component of the State's expendable trust funds.

Non-Expendable Trusts: The non-expendable trusts account for assets received and expended by the State as the trustee. The principal of the funds is non-expendable, whereas the earnings on the principal are used to support the individual fund's purpose.

Investment Trust Fund: The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24 for the purpose of investing funds of the State of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions and all other public units within, or instrumentalities of, the State of New Hampshire. In accordance with GASB 31, the external portion of the NHPDIP is reported as an investment trust fund in the Trust and Agency Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund.

Agency Funds: Assets received by the State as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. Payroll taxes collected on behalf of the federal government and employee voluntary deductions for deposit to the State's deferred compensation plan are two of the larger agency funds of the State.

This
Page
Intentionally
Left
Blank

**COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
JUNE 30, 1998
(Expressed in Thousands)**

	Expendable Trust Funds	Non- Expendable Trust Funds	Investment Trust Fund	Agency Funds	Totals
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 679	\$ 1,340		\$ 6,382	\$ 8,401
Investments	289,998	12,335	\$ 240,352	206,715	749,400
Inventories	84				84
Receivables (Net of Allowances for Uncollectibles)	6,604		374		6,978
Due from Other Funds		193			193
Total Assets	\$ 297,365	\$ 13,868	\$ 240,726	\$ 213,097	\$ 765,056
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
Due to Other Funds		\$ 70			\$ 70
Due to Other Taxing Units				\$ 28	28
Due to Component Units				604	604
Custodial Funds Payable	\$ 101			212,465	212,566
Payment Due Other Jurisdictions/Overpayment	3,588		\$ 107		3,695
Total Liabilities	3,689	70	107	213,097	216,963
FUND EQUITY:					
Reserved for Unemployment Compensation Benefits	289,644				289,644
Reserved for Various Trust Funds	4,032	13,798			17,830
Net Assets Held in Trust for Pool Participants			240,619		240,619
Total Fund Equity	293,676	13,798	240,619		548,093
Total Liabilities and Fund Equity	\$ 297,365	\$ 13,868	\$ 240,726	\$ 213,097	\$ 765,056

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
<u>PAYROLL TAXES AND FRINGE BENEFITS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 33	\$ 659	\$ 664	\$ 28
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 33	\$ 659	\$ 664	\$ 28
<u>DEFERRED COMPENSATION</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1			\$ 1
Investments	104,192	\$ 19,114	\$ 5,240	118,066
Total Assets	\$ 104,193	\$ 19,114	\$ 5,240	\$ 118,067
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 104,193	\$ 19,114	\$ 5,240	\$ 118,067
<u>UNIFIED COURT SYSTEM</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,664	\$ 8,883	\$ 9,215	\$ 4,332
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 4,664	\$ 8,883	\$ 9,215	\$ 4,332
<u>CHILD SUPPORT FUND</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 871	\$ 65,712	\$ 65,596	\$ 987
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 871	\$ 65,712	\$ 65,596	\$ 987
<u>NUCLEAR DECOMMISSIONING</u>				
<u>ASSETS</u>				
Investments	\$ 59,086	\$ 24,442	\$ 898	\$ 82,630
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 59,086	\$ 24,442	\$ 898	\$ 82,630

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Deductions	Balance June 30, 1998
MAINE - NEW HAMPSHIRE BRIDGE AUTHORITY				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 171	\$ 517	\$ 300	\$ 388
Investments	4,855	340	58	5,137
Total Assets	\$ 5,026	\$ 857	\$ 358	\$ 5,525
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 5,026	\$ 857	\$ 358	\$ 5,525
MISCELLANEOUS AGENCY FUNDS				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 597	\$ 4,132	\$ 4,083	\$ 646
Investments	512	398	28	882
Total Assets	\$ 1,109	\$ 4,530	\$ 4,111	\$ 1,528
<u>LIABILITIES</u>				
Due to Component Units	\$ 292	\$ 312	\$ -0-	\$ 604
Custodial Funds Payable	817	4,218	4,111	924
Total Liabilities	\$ 1,109	\$ 4,530	\$ 4,111	\$ 1,528
TOTALS - AGENCY FUNDS				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 6,337	\$ 79,903	\$ 79,858	\$ 6,382
Investments	168,645	44,294	6,224	206,715
Total Assets	\$ 174,982	\$ 124,197	\$ 86,082	\$ 213,097
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 33	\$ 659	\$ 664	\$ 28
Due to Component Units	292	312	-0-	604
Custodial Funds Payable	174,657	123,226	85,418	212,465
Total Liabilities	\$ 174,982	\$ 124,197	\$ 86,082	\$ 213,097

**TRANSFERS SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Transfers In					
	Special Revenue Funds				Capital Projects Fund	Combined Totals
	General Fund	Fish and Game Fund	Special Fund	Totals		
Transfers Out:						
General Fund			\$ 221,383	\$ 221,383	\$ 292	\$ 221,675
Special Revenue Funds:						
Highway Fund.....	\$ 752	\$ 753		753		1,505
Special Fund	885					885
Total Special Revenue Funds ..	1,637	753		753		2,390
Capital Projects Fund	298					298
Subtotal	1,935	753	221,383	222,136	292	224,363
Enterprise Funds:						
Liquor Commission	66,824					66,824
Sweepstakes Commission	57,505					57,505
Total Enterprise Funds	124,329					124,329
Combined Totals.....	\$ 126,264	\$ 753	\$ 221,383	\$ 222,136	\$ 292	\$ 348,692

In addition, the General Fund and the Capital Fund made operating transfers of \$65.9 million and \$20.2 million respectively to the Component Units - College and University Funds.

COMPONENT UNITS

Business Finance Authority - (BFA): The BFA was established to provide preservation, establishment, and redevelopment of business and industry for the betterment of the economy of the State and its inhabitants, create or preserve employment opportunities, protect the physical environment, preserve or increase the social welfare or economic prosperity of the State or its political subdivisions, and promote the general welfare of the State's citizens. The BFA accomplishes its purposes through various loan programs it offers to the State's businesses and industries. Operations are funded primarily through bond service charge fees and rental income from a building located at an industrial park.

Pease Development Authority - (PDA): The PDA, successor to the Pease Redevelopment Commission (PRC), was established to implement the PRC's comprehensive plan for the conversion and redevelopment of the Pease International Tradeport. The guiding principles of the plan were job creation, fiscal viability, economic development and environmental quality. Operations are funded primarily through facility lease income, airport joint use income and golf course revenues.

The Community Development Finance Authority - (CDFA): The CDFA was established to provide financial and technical assistance to community based housing and economic development projects. The CDFA charges fees to donee organizations based upon the fair market value of property conveyed to the CDFA. The CDFA also distributes pledges it receives to the respective economic development organizations and charges a fee which ranges from 15 to 20 percent of the pledges for managing the program. Operations are financed primarily through these fees.

University System of New Hampshire: The University System was established to provide the residents of the State with a well coordinated system of public higher education offering the arts and sciences, and the professional and technical 2-year, 4-year, and graduate programs which serve the needs of the State and the Nation. In addition, the University System of New Hampshire generates research which contributes to the welfare of humanity, to the development of faculty, and to the educational experiences of students; and provides educational resources and professional expertise to benefit the State and its people.

New Hampshire Retirement System: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established as of July 1, 1967 and is intended for all time to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the State government of New Hampshire, certain cities and towns, all counties and various school districts.

COMBINING BALANCE SHEET
COMPONENT UNITS
JUNE 30, 1998
(Expressed in Thousands)

	College and University Funds	Pension Trust Funds	Enterprise Funds	Totals
<u>ASSETS</u>				
Cash, Cash Equivalents and Short-term Investments	\$ 66,751	\$ 485,576	\$ 5,408	\$ 557,735
Receivables:				
Accounts (Net of Allowances For Uncollectibles)	13,146		4,837	17,983
Accrued Interest and Dividends		13,123		13,123
Contributions and Other		21,819		21,819
Notes Receivable (Net of Allowances For Uncollectibles)	20,562		2,445	23,007
Investments	179,360	3,853,840	567	4,033,767
Restricted Assets:				
Cash and Cash Equivalents			7,832	7,832
Investments			15,112	15,112
Due from Primary Government			604	604
Receivables			16,280	16,280
Total Restricted Assets			39,828	39,828
Fixed Assets, Net	353,790		56,833	410,623
Other Assets	6,036	1,148	10,334	17,518
Total Assets	\$ 639,645	\$ 4,375,506	\$ 120,252	\$ 5,135,403
<u>LIABILITIES AND FUND EQUITY</u>				
Accounts Payable	\$ 17,627		\$ 2,595	\$ 20,222
Accrued Payroll	10,100		11	10,111
Deferred Revenue	13,302		237	13,539
Current Portion of Bonds Payable			800	800
Other Current Liabilities			762	762
Current Liabilities Payable from Restricted Assets			12,600	12,600
Bonds Payable			21,540	21,540
Due to Primary Government	11,347		54,624	65,971
Long-term Debt	98,193			98,193
Compensated Absences and Accrued Employee Benefits	53,803			53,803
Mortgage Notes Payable		\$ 108,704		108,704
Administrative Assessment Balance		1,030		1,030
Management Fees and Other Payables		460,350		460,350
Advances from Tenant			457	457
Other Noncurrent Liabilities			6,091	6,091
Total Liabilities	204,372	570,084	99,717	874,173
Fund Equity:				
Contributed Capital			23,901	23,901
Retained Deficit			(3,366)	(3,366)
Fund Balances:				
College and University Fund Balances	435,273			435,273
Reserved for Pension Benefits		3,672,633		3,672,633
Reserved for Post Retirement Medicaid Benefits		132,789		132,789
Total Fund Equity	435,273	3,805,422	20,535	4,261,230
Total Liabilities and Fund Equity	\$ 639,645	\$ 4,375,506	\$ 120,252	\$ 5,135,403

COMBINING BALANCE SHEET
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1998
(Expressed in Thousands)

	Current Funds	Loan Funds	Endowment And Similar Funds	Plant Funds	Totals
ASSETS					
Cash and Short-term Investments	\$ 35,990	\$ 199	\$ 3,334	\$ 27,228	\$ 66,751
Accounts Receivable (Net of Allowances For Uncollectibles) ..	12,283		4	859	13,146
Prepaid Expenses	3,863			2	3,865
Notes Receivable (Net of Allowances For Uncollectibles) ...		20,562			20,562
Investments	40,186	768	132,744	5,662	179,360
Property and Equipment, Net				353,790	353,790
Other Assets	439			1,732	2,171
Interfund Balances, Net	9,962			(9,962)	-0-
Total Assets	\$ 102,723	\$ 21,529	\$ 136,082	\$ 379,311	\$ 639,645
LIABILITIES AND FUND BALANCES					
Accounts Payable and Accrued Expenses	\$ 10,007	\$ 17	\$ 1,208	\$ 6,395	\$ 17,627
Accrued Payroll	10,100				10,100
Deposits and Deferred Revenues	13,302				13,302
Due to Primary Government				11,347	11,347
Long-term Debt				98,193	98,193
Compensated Absences and Accrued Employee Benefits ...	53,803				53,803
Total Liabilities	87,212	17	1,208	115,935	204,372
Fund Balances:					
Current Funds:					
Unrestricted	4,824				4,824
Restricted	10,687				10,687
Loan Funds:					
U.S. Government Grants		16,094			16,094
Restricted		3,986			3,986
Unrestricted		1,432			1,432
Endowment and Similar Funds:					
Endowment, Primarily Restricted			97,232		97,232
Funds Functioning as Endowment - Unrestricted			8,233		8,233
Funds Functioning as Endowment - Restricted			10,288		10,288
Held in Trust by Others			17,035		17,035
Life Income and Annuity Funds			2,086		2,086
Plant Funds:					
Investment in Plant				239,360	239,360
Unexpended				24,016	24,016
Total Fund Balances	15,511	21,512	134,874	263,376	435,273
Total Liabilities and Fund Balances	\$ 102,723	\$ 21,529	\$ 136,082	\$ 379,311	\$ 639,645

COMBINING STATEMENT OF PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
JUNE 30, 1998
(Expressed in Thousands)

	Pension Plan	Post Retirement Medical Plan	Total Plan
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 33,891	\$ 1,231	\$ 35,122
Cash Collateral on Security Lending	434,662	15,792	450,454
Receivables:			
Employer Normal and Accrued Liability	3,943	122	4,065
State Contributions on Behalf of Local Employers	2,202	118	2,320
Long-term Employer	5,275		5,275
Plan Member Contributions	6,114		6,114
Postretirement Medical Plan Contributions on Behalf of Employers	240		240
Interest and Dividends	12,663	460	13,123
Other	3,672	133	3,805
Total Receivables	34,109	833	34,942
Other Assets	1,108	40	1,148
Investments at Fair Value:			
Equity Investments:			
Domestic	1,928,322	70,061	1,998,383
International	347,746	12,634	360,380
Fixed Income Investments:			
Domestic	714,848	25,972	740,820
Global	154,669	5,620	160,289
Commercial Real Estate	335,958	12,206	348,164
Timberfunds	106,106	3,855	109,961
Alternative Investments	131,080	4,762	135,842
Residential Mortgages	1		1
Total Investments	3,718,730	135,110	3,853,840
Total Assets	4,222,500	153,006	4,375,506
<u>LIABILITIES</u>			
Securities Lending Collateral	434,662	15,792	450,454
Contributions Due Pension Plan		240	240
Management Fees and Other Payables	8,619	313	8,932
Administrative Assessment Balance	994	36	1,030
Funds Held in Agency	699	25	724
Mortgage Notes Payable	104,893	3,811	108,704
Total Liabilities	549,867	20,217	570,084
Net Assets Held in Trust for Benefits	\$ 3,672,633	\$ 132,789	\$ 3,805,422

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Pension Plan	Post Retirement Medical Plan	Total Plan
ADDITIONS:			
Contributions:			
Employer Normal and Accrued Liability	\$ 45,149	\$ 2,204	\$ 47,353
State Contributions on Behalf of Local Employers	10,785	839	11,624
Total Employer Contributions	55,934	3,043	58,977
Plan Member	77,395		77,395
Post Retirement Medical Plan Contributions on Behalf of Employers ..	3,043		3,043
Total Contributions	136,372	3,043	139,415
Investment Income:			
Net Appreciation in Fair Value of Investments	438,761	15,310	454,071
Interest	53,100	1,853	54,953
Dividends	31,514	1,100	32,614
Timberfund Income	(1,757)	(61)	(1,818)
Alternative Investment Income	2,078	73	2,151
Commercial Real Estate Operating Income	38,148	1,331	39,479
Security Lending Income	23,913	834	24,747
Gross Investment Income	585,757	20,440	606,197
Less: Investment Expenses:			
Security Lending Borrower Rebates	22,008	768	22,776
Investment Manager Fees	27,917	974	28,891
Commercial Real Estate Operating Expense	17,383	607	17,990
Custodial Fees	929	32	961
Security Lending Management Fees	571	20	591
Consulting Fees	583	20	603
Other	(326)	(11)	(337)
Total Investment Expenses	69,065	2,410	71,475
Net Investment Income	516,692	18,030	534,722
Administrative Assessment	5,554	194	5,748
Other	(288)	(10)	(298)
Total Additions	658,330	21,257	679,587
DEDUCTIONS:			
Benefits	139,726	4,574	144,300
Refunds of Contributions	16,939		16,939
Administrative Expense	4,485	157	4,642
Post Retirement Medical Plan Contributions to Pension			
Plan on Behalf of Employers		3,043	3,043
Transfer to Non-Governmental Plans			
Actuarial Expense	617	22	639
Other	87	4	91
Total Deductions	161,854	7,800	169,654
Net Increase	496,476	13,457	509,933
NET ASSETS HELD IN TRUST FOR BENEFITS:			
Beginning of the Year	3,176,157	119,332	3,295,489
End of the Year	\$ 3,672,633	\$ 132,789	\$ 3,805,422

COMBINING BALANCE SHEET
COMPONENT UNITS - ENTERPRISE FUNDS
JUNE 30, 1998
(Expressed in Thousands)

<u>ASSETS</u>	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Totals
Current Assets:				
Cash and Cash Equivalents	\$ 1,005	\$ 1,424	\$ 2,979	\$ 5,408
Investments		567		567
Receivables (Net of Allowances for Uncollectibles)	206	404	4,227	4,837
Loans Receivable	2,445			2,445
Other Assets	2	6	85	93
Total Current Assets	3,658	2,401	7,291	13,350
Restricted Assets:				
Cash and Cash Equivalents	6,910		922	7,832
Investments	10,942	4,170		15,112
Due from Primary Government			604	604
Receivables		5,929	10,351	16,280
Total Restricted Assets	17,852	10,099	11,877	39,828
Fixed Assets:				
Buildings and Building Improvements	4,108		50,901	55,009
Land and Land Improvements		28		28
Equipment	71	34	2,139	2,244
Construction-in-Progress			7,603	7,603
Less: Allowance for Depreciation and Amortization	(1,650)	(27)	(6,374)	(8,051)
Net Fixed Assets	2,529	35	54,269	56,833
Other Assets:				
Loans/Pledges Receivable	7,459	2,238		9,697
Other	272		272	544
Total Other Assets	7,731	2,238	272	10,241
Total Assets	\$ 31,770	\$ 14,773	\$ 73,709	\$ 120,252
<u>LIABILITIES AND FUND EQUITY</u>				
Current Liabilities:				
Accounts Payable	\$ 59	\$ 50	\$ 2,486	\$ 2,595
Accrued Payroll		11		11
Deferred Revenue			237	237
Current Portion of Bonds Payable	800			800
Other Current Liabilities	262		500	762
Total Current Liabilities	1,121	61	3,223	4,405
Current Liabilities Payable from Restricted Assets	1,828	10,099	673	12,600
Noncurrent Liabilities:				
Bonds Payable	21,540			21,540
Due to Primary Government			54,624	54,624
Advances from Tenant			457	457
Other Noncurrent Liabilities	2,082	2,540	1,469	6,091
Total Noncurrent Liabilities	23,622	2,540	56,550	82,712
Total Liabilities	26,571	12,700	60,446	99,717
Fund Equity (Deficit):				
Contributed Capital			23,901	23,901
Retained Earnings (Deficit):				
Reserved for Loan Guarantees/Contingencies	4,277			4,277
Unreserved	922	2,073	(10,638)	(7,643)
Total Retained Earnings (Deficit)	5,199	2,073	(10,638)	(3,366)
Total Fund Equity	5,199	2,073	13,263	20,535
Total Liabilities and Fund Equity	\$ 31,770	\$ 14,773	\$ 73,709	\$ 120,252

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND
BALANCE - COMPONENT UNITS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Totals
OPERATING REVENUES:				
Charges for Sales and Services.....	\$ 2,185	\$ 380	\$ 7,529	\$ 10,094
Interest and Earning on Investments		409	836	1,245
Other		215		215
Total Operating Revenue.....	2,185	1,004	8,365	11,554
OPERATING EXPENSES:				
Personnel Services.....	264	208	2,116	2,588
Advertising.....			345	345
Miscellaneous.....	293	485	5,290	6,068
Depreciation and Amortization	135	8	2,410	2,553
Total Operating Expenses	692	701	10,161	11,554
Operating Income (Loss)	1,493	303	(1,796)	-0-
NONOPERATING REVENUES (EXPENSES):				
Interest Income	1,908			1,908
Interest Expense	(1,740)			(1,740)
Miscellaneous.....	(1,587)			(1,587)
Total Nonoperating Revenues (Expenses)	(1,419)			(1,419)
Net Income (Loss).....	74	303	(1,796)	(1,419)
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital			1,081	1,081
Increase (Decrease) in Retained Earnings	74	303	(715)	(338)
Retained Earnings (Deficit)/Fund Balance - July 1	5,124	1,770	(9,923)	(3,029)
Retained Earnings (Deficit)/Fund Balance - June 30	\$ 5,198	\$ 2,073	\$ (10,638)	\$ (3,367)

**COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1998
(Expressed in Thousands)**

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Totals
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 1,493	\$ 303	\$ (1,796)	\$ -0-
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	135	8	2,410	2,553
Change in Operating Assets and Liabilities:				
(Increase) Decrease in Receivables	(1,498)	2,081	43	626
(Increase) Decrease in Notes and Loans Receivable	(303)	3		(300)
(Increase) in Other Assets	(2)			(2)
Increase (Decrease) in Accounts Payable and Other Accruals	854	(1,221)	1,679	1,312
Increase (Decrease) in Deferred Revenue	268	(282)	(53)	(67)
Net Cash Provided by (Used for) Operating Activities	947	892	2,283	4,122
Cash Flows from Noncapital Financing Activities:				
Proceeds from Loans with Primary Government				
Interest Paid on Bonds	(1,740)			(1,740)
Principal Paid on Bonds	(500)			(500)
Net Cash (Used for) Provided by Noncapital Financing Activities	(2,240)			(2,240)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(4)	(5)	(6,808)	(6,817)
Contributed Capital from Federal Government			2,070	2,070
Repayments to Tenant			(26)	(26)
Repayments to Primary Government			(1,010)	(1,010)
Proceeds from Loans			2,063	2,063
Equipment Lease Principal Payments			487	487
Net Cash Used for Capital and Related Financing Activities	(4)	(5)	(3,224)	(3,233)
Cash Flows from Investing Activities:				
Purchase of Investments	(137)	(710)	(312)	(1,159)
Interest Income on Investments	1,260			1,260
Net Cash Provided by (Used for) Investing Activities	1,123	(710)	(312)	101
Net Increase (Decrease) in Cash and Cash Equivalents	(174)	177	(1,253)	(1,250)
Cash and Cash Equivalents - July 1	8,089	1,247	5,154	14,490
Cash and Cash Equivalents - June 30	\$ 7,915	\$ 1,424	\$ 3,901	\$ 13,240

The League of New Hampshire Craftsmen Creative Heritage

THE ANNUAL League of New Hampshire Craftsmen's Fair is the oldest crafts fair in the country, attracting more than 40,000 visitors each August to the Dartmouth-Lake Sunapee Region of New Hampshire. The Fair generates over \$1 million in sales for the participating craftspeople, and the tourists who come to the Fair account for more than 8% of all tourism dollars spent in the region during the month of August.

NATIONALLY RECOGNIZED as one of the premier craft events in the country, the Fair has grown considerably in size and scope since it was first held in Crawford Notch, NH, in 1933. Today, it still provides craft enthusiasts with the unique opportunity of meeting New Hampshire's craftspeople firsthand, learning about their craft-making methods, and viewing their latest work.

Demonstrations, workshops, exhibits, and special events add to the Fair's festive atmosphere, all of which are held under flag-festooned tents at the base of Mt. Sunapee in Newbury, NH.



Shopping at the Fair -- Past & Present



Demonstrations at the Fair



Jacket & Skirt: Sarah Fortin Hat: Nancy Hornall

This
Page
Intentionally
Left
Blank

**TABLE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
REVENUES:										
General Property Taxes	\$ 563	\$ 566	\$ 408	\$ 460	\$ 376	\$ 379	\$ 299	\$ 277	\$ 6,237	\$ 9,848
Special Taxes	670,054	606,135	543,910	648,688	587,539	718,243	676,228	403,640	314,639	336,556
Personal Taxes	76,091	50,421	44,498	44,013	43,703	41,161	39,340	39,508	38,148	31,438
Business License Taxes	195,182	192,608	180,363	166,090	163,151	155,487	155,194	142,092	139,282	138,036
Non-Business License Taxes	61,218	59,253	56,868	55,931	53,824	53,407	52,865	51,530	52,366	49,549
Fees	84,789	81,989	84,704	71,185	68,671	63,687	60,171	52,363	48,662	35,022
Fines, Penalties and Interest	28,952	26,276	25,056	28,204	26,928	22,897	21,820	27,827	28,320	24,898
Grants from Federal Government	832,825	796,797	818,672	749,143	857,721	739,736	656,030	459,397	355,736	324,394
Grants from Private and Local Sources	117,752	103,374	107,592	93,580	86,960	72,692	67,621	63,270	55,212	47,271
Rents and Leases	4,960	4,832	4,673	4,320	4,305	3,856	4,090	3,769	3,683	3,965
Interest, Premiums and Discounts	14,272	13,067	13,628	13,512	4,198	5,106	5,296	3,759	4,303	7,969
Sale of Commodities	13,236	11,652	10,505	8,924	10,018	8,719	7,535	8,846	10,182	8,580
Sale of Services	73,799	95,338	92,037	136,522	353,692	60,762	51,585	56,528	37,951	35,827
Assessments	16,441	15,157	14,058	13,625	13,968	17,231	15,640	14,300	11,147	10,678
Grants from Other Agencies	28,852	23,273	21,971	17,510	16,633	16,737	17,222	15,395	13,313	16,920
Miscellaneous	43,270	42,056	37,416	41,455	35,104	26,302	26,578	23,876	23,628	25,247
Total Revenues	2,262,256	2,122,794	2,056,359	2,093,162	2,326,791	2,006,402	1,857,514	1,366,377	1,142,809	1,106,198
EXPENDITURES:										
Current:										
General Government	174,698	183,811	190,411	193,585	183,009	176,423	170,621	167,010	158,618	157,163
Administration of Justice and Public Protection	204,304	172,020	162,179	152,867	143,647	138,750	130,025	127,694	121,942	119,584
Resource Protection and Development	113,577	109,987	100,070	100,740	93,917	110,516	79,087	67,550	59,335	57,835
Transportation	200,790	196,898	196,982	188,896	174,631	185,450	171,750	160,431	156,562	144,989
Health and Social Services	1,128,768	1,093,630	1,097,628	1,193,240	1,316,081	1,069,042	1,002,621	650,903	492,579	445,197
Education	266,981	227,084	208,586	208,155	206,737	262,426	257,392	236,835	218,304	209,270
Debt Service	74,293	75,461	74,754	65,131	63,939	59,842	60,706	60,163	51,999	46,955
Capital Outlay	138,609	129,305	109,207	93,451	106,208	144,598	85,384	82,152	80,445	100,886
Total Expenditures	2,302,020	2,188,196	2,139,817	2,196,065	2,288,169	2,147,047	1,957,586	1,552,738	1,339,784	1,281,879
Excess (Deficiency) of Revenues Over (Under) Expenditures	(39,764)	(65,402)	(83,458)	(102,903)	38,622	(140,645)	(100,072)	(186,361)	(196,975)	(175,681)
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	224,363	236,713	198,808	347,965	428,579	167,172	142,312	113,676	93,593	94,954
Operating Transfers Out	(224,363)	(236,713)	(198,808)	(347,965)	(428,579)	(167,172)	(142,312)	(113,676)	(93,593)	(94,954)
Operating Transfers from Enterprise Funds	124,329	117,704	106,879	99,681	94,752	93,661	92,445	89,497	81,786	78,867
Operating Transfers to Component Units	(83,534)	(78,217)	(68,524)	(74,832)	(71,165)					
Transfer from IDA								7,000		
Proceeds from Issuance of Bonds		30,291	60,000	65,551	40,000	90,506	59,999	103,000	60,000	85,000
Miscellaneous										
Proceeds of Refunding Bonds		53,595				122,400			51,407	
Payment to Refunding Bond Escrow Agent		(53,595)				(122,400)			(51,407)	
Total Other Financing Sources ...	40,795	69,778	98,355	90,400	63,587	184,167	152,444	199,497	141,786	163,867
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,031	4,376	14,897	(12,503)	102,209	43,522	52,372	13,136	(55,189)	(11,814)
Fund Balances - July 1	306,276	301,900	287,003	299,506	197,297	153,775	101,403	88,267	143,456	155,270
Fund Balances - June 30	\$ 307,307	\$ 306,276	\$ 301,900	\$ 287,003	\$ 299,506	\$ 197,297	\$ 153,775	\$ 101,403	\$ 88,267	\$ 143,456

**TABLE OF UNRESTRICTED REVENUE
GENERAL FUND - GAAP BASIS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

Fiscal Year Ended June 30,

	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Beer Tax	\$ 11,442	\$ 11,366	\$ 11,113	\$ 11,217	\$ 11,199	\$ 11,182	\$ 11,357	\$ 13,305	\$ 12,180	\$ 12,110
Board and Care Revenue	12,966	13,992	13,628	14,439	14,006	12,772	12,266	13,548	14,454	14,669
Business Profits Tax	167,471	171,990	152,683	138,348	112,293	128,727	91,604	112,035	110,981	143,261
Business Enterprise Tax	71,036	38,239	24,969	29,764	23,975					
Estate and Legacy Tax	43,274	40,734	33,270	38,456	32,128	31,064	28,128	23,398	24,282	30,354
Insurance Tax	54,656	57,202	50,488	42,639	43,070	48,221	44,859	43,540	43,084	41,407
Securities Revenue ⁽¹⁾	20,522	18,042	15,622	13,722	13,097					
Interest and Dividends Tax ...	61,799	52,683	51,878	37,970	35,767	36,088	34,608	37,413	40,731	36,025
Liquor Sales and Distribution .	75,440	71,713	65,971	63,626	63,990	63,463	62,493	58,549	55,100	51,969
Meals and Rooms Tax	128,688	118,984	113,369	107,501	101,418	95,398	92,078	89,803	83,803	81,809
Park Revenue ⁽²⁾			5,205	4,212	5,953	5,105	4,287	5,998	7,259	5,960
Dog Racing	1,011	2,213	2,166	2,802	3,147	4,073	4,819	5,954	7,184	8,304
Horse Racing	2,238	2,778	3,032	3,053	2,782	2,430	3,142	3,975	3,353	2,258
Real Estate Transfer Tax	44,162	33,330	30,192	28,971	29,221	26,837	35,105	28,893	32,319	29,679
Telephone/Communication Tax	40,134	39,253	35,519	33,212	30,512	29,529	27,762	22,231	12,788	9,510
Tobacco Tax	76,128	50,436	44,537	44,065	43,712	41,189	39,377	39,540	38,169	31,466
Utility Tax	17,731	17,562	17,488	17,073	19,962	21,077	22,998	10,114	8,194	8,383
Courts Fines and Fees	21,021	20,167	18,914	19,488	19,238	19,338	19,663	21,052	22,609	20,246
Savings Bank Tax ⁽³⁾						3,040	7,446	11,858	12,618	10,778
Other:										
Corporate Returns	655	698	657	621	608	935	1,092	930	926	869
Interstate Vehicle Registrations	2,795	2,714	2,857	2,842	2,515	2,960	2,744	2,613	2,549	2,417
Motor Boat Registrations ...	1,847	1,757	1,600	1,747	1,451	1,435	1,411	1,428	1,545	1,168
Corporate Filing Fees	3,227	3,219	3,093	3,042	2,997	6,562	6,398	6,266	4,499	3,847
Interest on Surplus Funds ...	2,990	181	324	2,885	1,252	2,463	1,485	1,033	2,215	5,149
Reimb. of Indirect Costs	5,100	4,184	4,215	6,151	5,648	5,595	6,328	4,733	4,551	6,453
Miscellaneous	29,991	26,266	24,516	25,821	26,992	19,453	20,383	18,475	16,779	12,758
Subtotal	896,324	799,703	727,306	693,667	646,933	618,936	581,833	576,684	562,172	570,849
Net Medicaid Enhancement. Revenues (MER)	67,502	54,268	101,983	116,614	250,400	180,059	166,471	52,000		
Subtotal	963,826	853,971	829,289	810,281	897,333	798,995	748,304	628,684	562,172	570,849
Other MER Transferred to/ (from) Uncompensated Care Pool	9,204	43,482	(10,483)	152,552	222,700					
Total Unrestricted Revenue ...	\$ 973,030	\$ 897,453	\$ 818,806	\$ 962,833	\$ 1,120,033	\$ 798,995	\$ 748,304	\$ 628,684	\$ 562,172	\$ 570,849

⁽¹⁾ Beginning in FY 1994, Securities Revenues were reported separately from the Insurance Tax.

⁽²⁾ Beginning in FY 1998, Park Revenue was reclassified as Restricted Revenue.

⁽³⁾ Effective July 1, 1993, the Savings Bank Tax was repealed.

**TABLE OF UNDESIGNATED FUND BALANCE
GENERAL FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Balance, July 1 (Budgetary Method) . . .	\$ 42,638	\$ 11,356	\$ 53,769	\$ 66,462	\$ 76,118	\$ 64,907	\$ 23,076	\$ (539)	\$ 39,807	\$ 54,026
Additions:										
Unrestricted Revenue	960,530	873,749	795,996	847,406	897,333	798,995	748,304	628,684	562,172	570,849
Unrestricted Revenue - UCP ⁽¹⁾	12,500	23,704	22,810	115,427	222,700					
Total Unrestricted Revenue	973,030	897,453	818,806	962,833	1,120,033	798,995	748,304	628,684	562,172	570,849
Transfer from Other Funds	1,051	1,062	3,374	692	699	806	689	5,116	956	336
Bonds Authorized and Unissued					1,000	3,800		20,000		
Other Credits	5,348	51	436	1,054	383	1,659	1,227	6,914	4,868	460
Total Additions	979,429	898,566	822,616	964,579	1,122,115	805,260	750,220	660,714	567,996	571,645
Deductions:										
Appropriations Net of Estimated Revenue:										
General Government	185,447	185,695	175,145	192,018	177,992	176,098	164,693	155,397	143,822	137,217
Administration of Justice and Public Protection	128,992	109,324	107,573	99,498	96,464	86,286	83,750	78,473	75,885	67,215
Resource Protection and Development	37,238	35,071	40,256	37,479	38,931	30,942	18,950	34,510	32,814	30,499
Transportation	2,935	2,845	2,886	2,710	3,117	2,799	2,813	2,860	2,955	1,792
Health and Social Services	212,160	205,796	203,716	214,601	207,651	191,721	185,110	178,695	175,435	159,667
Education	154,785	124,941	119,970	122,203	128,932	116,434	111,918	107,397	101,010	99,299
Liquor Commission	22,119	20,443	20,774	19,887	19,466	19,893	19,319	18,856	19,120	18,766
Special Fund	197,903	195,957	195,011	207,410	172,166	157,246	140,900	106,198	85,604	88,881
Subtotal	941,579	880,072	865,331	895,806	844,719	781,419	727,453	682,386	636,645	603,336
Uncompensated Care Pool	12,500	23,704	22,810	115,427	222,700					
Health Care Transition Fund (HCTF)	14,786	6,500	7,912	8,418						
Total Appropriations Net of Estimated Revenues	968,865	910,276	896,053	1,019,651	1,067,419	781,419	727,453	682,386	636,645	603,336
Less: Lapses	(24,105)	(25,493)	(25,973)	(28,614)	(28,046)	(25,582)	(20,056)	(18,017)	(29,517)	(20,313)
Lapses - HCTF		(6,415)	(790)	(12,861)						
Total Lapses	(24,105)	(31,908)	(26,763)	(41,475)	(28,046)	(25,582)	(20,056)	(18,017)	(29,517)	(20,313)
Net Appropriations	944,760	878,368	869,290	978,176	1,039,373	755,837	707,397	664,369	607,128	583,023
Transfers to Other Funds	280	398	595	965	834	349	203		185	341
Other Debits	865	1,823	2,266	2,481	1,315	303	789	1,216	1,029	34
Transfer to Fund Equity Reserve or Designation Accounts	(55,205)	(13,305)	(7,122)	(4,350)	90,249	37,560		(28,486)		2,466
Total Deductions	890,700	867,284	865,029	977,272	1,131,771	794,049	708,389	637,099	608,342	585,864
Balance, June 30 (Budgetary Method) .	131,367	42,638	11,356	53,769	66,462	76,118	64,907	23,076	(539)	39,807
GAAP Adjustments:										
Receivables	1,520	2,764	3,414	4,555	4,132	4,563	3,525	4,539	3,479	6,228
Accounts Payable and Accrued Liabilities	(58,082)	(53,199)	(58,669)	(56,777)	(52,778)	(45,246)	(46,232)	(46,651)	(38,409)	(35,514)
Due to Trust Funds										(242)
Transfer from General Fund to Liquor Fund	(3,677)	(3,180)	(2,942)	(2,523)	(2,301)	(2,309)	(2,384)	(2,139)	(2,211)	(2,144)
Transfer from General Fund to Special Fund	(26,127)	(29,207)	(10,531)	(34,133)	(2,546)	(1,643)	(1,199)	(3,353)	(1,546)	(2,467)
Elimination Bonds Authorized Additional Transfer (to) from Reserve Accounts	(3,602)	38,960	13,221	35,109	(1,000)				28,486	(56)
Total GAAP Adjustments	(89,968)	(43,862)	(55,507)	(53,769)	(54,493)	(44,635)	(46,290)	(47,604)	(10,201)	(34,195)
Balance, June 30 (GAAP)	\$ 41,399	\$ (1,224)	\$ (44,151)	\$ -0-	\$ 11,969	\$ 31,483	\$ 18,617	\$ (24,528)	\$ (10,740)	\$ 5,612

⁽¹⁾ UCP = Uncompensated Care Pool

**TABLE OF UNDESIGNATED FUND BALANCE
HIGHWAY FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Balance, July 1 (Budgetary Method) . .	\$ 11,001	\$ (2,903)	\$ 8,299	\$ 1,050	\$ (2,104)	\$ 1,377	\$ (6,253)	\$ (6,591)	\$ (2,441)	\$ 8,033
Additions:										
Unrestricted Revenue:										
Gasoline Tax	115,517	111,001	107,025	102,053	97,222	96,311	94,107	90,381	82,588	88,889
Motor Vehicle Fees	64,452	62,449	60,174	59,462	56,425	55,313	55,025	52,816	53,840	48,699
Other	9,263	10,090	10,709	8,405	7,501	7,383	8,677	7,433	8,926	9,651
Total Unrestricted Revenue	189,232	183,540	177,908	169,920	161,148	159,007	157,809	150,630	145,354	147,239
Bonds Authorized and Unissued . . .					1,300	13,500	3,250	1,000	5,000	2,500
Other Credits	767	43		370	3,586	6,154			78	64
Total Additions	189,999	183,583	177,908	170,290	166,034	178,661	161,059	151,630	150,432	149,803
Deductions:										
Appropriations Net of										
Estimated Revenues	200,378	175,814	193,270	168,799	168,210	182,818	158,258	161,393	158,374	161,582
Less: Lapses	(8,322)	(7,717)	(6,534)	(7,038)	(7,007)	(6,198)	(6,402)	(11,844)	(6,679)	(6,848)
Net Appropriations	192,056	168,097	186,736	161,761	161,203	176,620	151,856	149,549	151,695	154,734
Other Debits	1,505	1,582	2,374	1,280	1,677	5,522	1,573	1,743	2,887	5,543
Total Deductions	193,561	169,679	189,110	163,041	162,880	182,142	153,429	151,292	154,582	160,277
Balance, June 30 (Budgetary Method) .	7,439	11,001	(2,903)	8,299	1,050	(2,104)	1,377	(6,253)	(6,591)	(2,441)
GAAP Adjustments:										
Receivables	404	934	317	777	560	4,257	1,180	4,464	3,577	7,175
Accounts Payable and										
Accrued Liabilities	(9,735)	(9,803)	(8,567)	(9,707)	(8,923)	(5,866)	(7,671)	(11,040)	(10,480)	(11,512)
Bonds Authorized										
and Unissued	(19,045)	(19,045)	(19,109)	(19,142)	(19,590)	(18,290)	(11,629)	(10,605)	(19,904)	(17,219)
Total GAAP Adjustments	(28,376)	(27,914)	(27,359)	(28,072)	(27,953)	(19,899)	(18,120)	(17,181)	(26,807)	(21,556)
Reclassification of Designated Balance			39,732	42,962	32,515	6,377	28,519	49,196	46,318	34,094
Balance, June 30 (GAAP)	\$ (20,937)	\$ (16,913)	\$ 9,470	\$ 23,189	\$ 5,612	\$ (15,626)	\$ 11,776	\$ 25,762	\$ 12,920	\$ 10,097

**TABLE OF UNDESIGNATED FUND BALANCE
FISH AND GAME FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1998	1997	1996	1995	1994	1993	1992	1991	1990	1989
Balance, July 1 (Budgetary Method) . . .	\$ 4,310	\$ 4,068	\$ 4,539	\$ 3,999	\$ 3,176	\$ 3,235	\$ 3,460	\$ 2,729	\$ 1,943	\$ 1,589
Additions:										
Unrestricted Revenue	7,923	7,397	6,769	6,819	6,654	6,715	6,410	6,281	6,111	5,689
Other Credits	847	791	871	640	818	-0-	28	935	525	231
Total Additions	8,770	8,188	7,640	7,459	7,472	6,715	6,438	7,216	6,636	5,920
Deductions:										
Appropriations Net of Estimated Revenues	8,350	8,311	8,413	7,502	7,294	7,073	6,977	6,733	6,557	6,482
Less: Lapses	(276)	(385)	(302)	(730)	(645)	(327)	(337)	(308)	(707)	(947)
Net Appropriations	8,074	7,926	8,111	6,772	6,649	6,746	6,640	6,425	5,850	5,535
Other Debits	-0-	20	-0-	147	-0-	28	23	60	-0-	31
Total Deductions	8,074	7,946	8,111	6,919	6,649	6,774	6,663	6,485	5,850	5,566
Balance, June 30 (Budgetary Method) . . .	5,006	4,310	4,068	4,539	3,999	3,176	3,235	3,460	2,729	1,943
GAAP Adjustments:										
Receivables	211	128	124	102	130	96	100	96	142	66
Accounts Payable and Accrued Liabilities	(1,325)	(1,182)	(1,120)	(871)	(992)	(782)	(758)	(778)	(471)	(408)
Total GAAP Adjustments	(1,114)	(1,054)	(996)	(769)	(862)	(686)	(658)	(682)	(329)	(342)
Balance, June 30 (GAAP)	\$ 3,892	\$ 3,256	\$ 3,072	\$ 3,770	\$ 3,137	\$ 2,490	\$ 2,577	\$ 2,778	\$ 2,400	\$ 1,601

**SCHEDULE OF REVENUE BOND COVERAGE RATIO
TURNPIKE SYSTEM REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

Fiscal Year	Gross Revenues*	Direct Operating Expenses*	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
1998	\$ 58,033	\$ 16,352	\$ 41,681	\$ 6,063	\$ 15,615	\$ 21,678	1.92
1997	55,714	17,231	38,483	5,653	15,944	21,597	1.78
1996	53,231	17,024	36,207	5,348	16,247	21,595	1.68
1995	51,670	17,336	34,334	4,416	16,462	20,878	1.64
1994	49,573	15,749	33,824	3,525	14,744	18,269	1.85
1993	47,859	15,968	31,891	2,940	13,623	16,563	1.93
1992	48,097	15,020	33,077	2,579	14,165	16,744	1.98
1991	49,165	13,459	35,706	2,265	14,489	16,754	2.13
1990	44,488	12,208	32,280	1,373	9,748	11,121	2.90
1989	32,561	10,806	21,755	1,043	8,005	9,048	2.40

* - Amounts as defined in Turnpike System Bond Resolutions.

**RATIO OF GENERAL LONG-TERM DEBT TO ASSESSED VALUE
AND GENERAL LONG-TERM DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS**

(Expressed In Thousands)					
	(1)	(2)	(3)	Ratio Of	General Long-
Fiscal Year	Population	Assessed Value	General Long-Term Debt	General Long-Term Debt To Assessed Value	Term Debt Per Capita
1998	1,186	\$64,980,410	\$617,525	.95	\$521
1997	1,173	64,980,410	661,353	1.02	564
1996	1,160	64,013,126	663,286	1.03	572
1995	1,146	63,115,248	646,316	1.02	564
1994	1,134	62,832,676	614,982	.98	542
1993	1,122	61,230,364	610,456	1.00	544
1992	1,113	61,895,766	538,013	.87	483
1991	1,107	60,024,128	510,078	.85	461
1990	1,112	54,386,255	441,060	.81	397
1989	1,105	46,936,012	406,465	.87	368

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (1998 estimated).
 (2) New Hampshire Department of Revenue Administration (1998 estimated).
 (3) Includes all General Obligation Bonds Payable of the Primary Government.

**DEMOGRAPHIC STATISTICS
FOR THE LAST TEN FISCAL YEARS**

	(1)	(2)	(3)
Year	Population	Per Capita Income	Unemployment Rate
1998	1,186,000	\$ 29,322	2.7%
1997	1,173,000	28,047	3.2
1996	1,160,000	26,772	4.4
1995	1,146,000	25,726	3.9
1994	1,134,000	24,282	4.6
1993	1,122,000	22,918	6.5
1992	1,113,000	22,232	7.6
1991	1,107,000	21,023	7.2
1990	1,112,000	20,227	5.7
1989	1,105,000	19,977	3.4

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (1998 estimated).
 (2) U.S. Dept. of Commerce, Bureau of Economic Analysis, reflects the most current available data for all years represented (1998 estimated).
 (3) New Hampshire Department of Employment Security, Economic and Labor Market Information Bureau.

NUMBER OF BUILDING PERMITS FOR HOUSING UNITS FOR THE LAST TEN CALENDAR YEARS

Year	Single Family Houses	Two Family Buildings	Three and Four Family Buildings	Five or More Family Buildings	Total
1998*	5,103	36	40	36	5,215
1997	4,297	27	26	85	4,435
1996	4,233	44	10	42	4,329
1995	4,105	24	11	19	4,159
1994	4,130	63	19	24	4,236
1993	3,724	26	11	22	3,783
1992	3,652	27	13	23	3,715
1991	3,311	20	14	11	3,356
1990	3,439	69	16	24	3,548
1989	5,537	175	63	72	5,847

Source: U.S. Department of Commerce, Bureau of the Census.

* Data is annualized based on activity through September 30, 1998.

SCHEDULE OF THE TWENTY LARGEST PRIVATE SECTOR EMPLOYERS (Based on Number of Employees in the State)

Elliot Hospital/CMC/St. Joseph Hospital
Wal-Mart Stores, Inc.
DeMoulas/Market Basket
Sanders (a Lockheed Martin Company)
Dartmouth Hitchcock Medical Center

Digital Equipment Corporation
Hannaford Brothers / Shop 'N Save
Shaw's Supermarket, Inc.
Cabletron Systems, Inc.
Dartmouth College

Liberty Mutual Group
HADCO Corporation
Sears
Bell Atlantic
Freudenberg-NOK

Osram Sylvania, Inc.
General Electric Meter Business
Fidelity Investments
Teradyne, Inc., Connection Systems
Oxford Health Plans

State of New Hampshire

New Hampshire's First-Ever Artist Laureate **Gerry Williams**

IT IS FITTING THAT GERRY WILLIAMS, an internationally known potter and member of the League of New Hampshire Craftsmen for almost fifty years, be honored in 1998 as New Hampshire's first-ever Artist Laureate. Williams spent much of his career not only establishing himself as a master potter, but also educating and inspiring future craftspeople. Few artists have contributed so much to New Hampshire's cultural landscape.

FOR ALMOST FIFTY YEARS, Williams has been creating impressive works of stoneware and porcelain as well as training pottery apprentices and eager students through his "Phoenix Workshop" pottery classes held at his Dunbarton, NH, studio. In the early '70s, Williams formed the *Studio Potter Foundation* to help educate and provide support for the pottery community

on an international scale.

The Foundation, which now publishes *Studio Potter Magazine*

and a networking newsletter for subscribers around the world, is currently part of a worldwide network of government institutions and universities developing initiatives for archival preservation, professional conferences on the arts, and art education in secondary schools.

AS NEW HAMPSHIRE'S NEWLY APPOINTED ARTIST LAUREATE, Williams has chosen, at age 72, to take on yet another project by working with a television producer to develop a series of 13 programs

on the visual, literary, and performing arts. "I feel it is important for me to give back to all those organizations and institutions, such as the League of New Hampshire Craftsmen, that helped me when I needed them most early in my career," says Williams. "I am honored that I have been given this role so that I can effectively accomplish this."



Governor Jeanne Shaheen honoring New Hampshire's first-ever Artist Laureate, Gerry Williams



League of N.H. Craftsmen